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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2274

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# EAST EUROPE REPORT

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## REPORT, COMMENT ON FULFILLMENT OF QUARTERLY PLAN FOR 1982

## First-Quarter Results Reported

Sofia RABOTNICHESKO DELO in Bulgarian 21 Apr 82 p 2

[Report by Committee on Integrated Social Information System: "Good Organization--High Economic Results; Results of Fulfillment of Integrated Plan for Socioeconomic Development of Bulgarian People's Republic during First Quarter of 1982"]

[Text] Labor collectives in the first quarter of 1982 mounted socialist competition of still greater scope and entered upon the second year of the Eighth Five-Year Plan with new successes.

State planned targets and plans were overfulfilled. Additional reserves were discovered for a general intensification and rise of production efficiency. Higher final economic results were achieved, thereby guaranteeing fuller satisfaction of the needs of the national economy and a rise in the people's living standard.

In the first quarter of 1982, basic economic results increased over the same period in 1981 as follows: aggregate profit 107.9; net output 104.9; social productivity of labor 103.0.

The growth of production achieved in industry, construction and agriculture affected the final economic results.

## I. Industry

The economic organizations and enterprises of industry overfulfilled their production targets. The volume of commodity industrial output increased 6.0 percent over the first quarter of 1981 and amounted to 8,757,000,000 leva.

In the basic sectors and systems the increase of commodity output in the first quarter of 1982 over the first quarter of 1981 was as follows:

power supply	107.3
metallurgy and mineral resources	108.0
machine building and electronics	105.1
chemical industry	103.7
woodworking and pulp and paper industry	106.9

light industry	104.3
printing and publishing industry	101.9
construction materials	103.4
transportation industry	103.5
National Agroindustrial Union	106.0
Ministry of Internal Trade and Public Services	105.3
Central Cooperative Union	106.4
Capital City People's Council	100.6

A certain slowdown in respect of the process of sales of the output of some economic organizations and enterprises of industry occurred as compared with the first quarter of 1981.

The national economy's needs of important raw and other materials and of commodities for the domestic market and for export were more fully met.

#### PRODUCTION OF CERTAIN BASIC INDUSTRIAL PRODUCTS

<u>Sector or system/unit of measure</u>	<u>Output produced in 1st quarter of 1982</u>	<u>1st quarter of 1982 as % of 1st quarter of 1981</u>
Electric power, 000,000 kwhr	11,145	108.2
Coal, 000 tons	8,654	114.0
Rolled ferrous metal products, 000 tons	870	107.8
Electrotelphers, 000 units	32	106.1
Motor trucks, 000 units	5	105.8
Power transformers, 000 units	2.3	106.3
Soda ash, 000 tons	373	103.4
Synthetic fibers and silks, 000 tons	26	100.4
Cement, 000 tons	1,308	107.3
Paper, 000 tons	89	103.4
Pulp, 000 tons	55	96.0
Furniture, 000,000 leva	103	112.0
Finished cotton fabrics and cotton- type fabrics, 000,000 m	90	103.0
Finished woolen and woolen-type fabrics, 000,000 m	9.6	104.5
Shoes (excluding rubbers and house- slippers), 000,000 pairs	4.9	100.6
Meat, 000 tons	107	110.3
Meat products, 000 tons	22	101.7
Butter, 000 tons	4.8	105.4

The following items were not produced in targeted quantities during the quarter: casting pig, steel ingots, cold rolled steel, steel tubes, cement, steel supporting structural members, drill seeders, trucks, cowhides, cotton threads and certain consumer goods such as sugar products, canned vegetables, table wines, silk fabrics, faience tiles, meat and vegetable baby foods, and nonalcoholic beverages.

## II. Agriculture

During the first quarter of 1982 2.0 percent more agricultural output was produced than during the same period last year. Animal husbandry output rose 3.8 percent. There was a 2.3 percent increase in meat by slaughtered weight, a 6.6 percent increase in milk, a 6.1 percent increase in average milk yield per cow on fodder.

The number of head of agricultural animals and poultry for all categories of farms was as follows:

<u>Animals and poultry</u>	<u>000 head as of 1 April 1982</u>	<u>1 April 1982 as % of 1 April 1981</u>
Cattle	1,417	100.2
including cows	484	101.1
Sheep	8,813	101.9
Swine	2,760	96.8
Poultry	23,670	105.1

A number of agroindustrial complexes and okrug people's councils have permitted a decrease in agricultural animals.

In comparison with the first quarter of 1981 there was an increase in the purchase of animals and animal husbandry output, with the exception of eggs. During the first quarter 9.7 percent more livestock and poultry and 9.9 percent more milk were purchased from all categories of farm, and 5.6 percent fewer eggs.

## III. Construction

Construction and installation organizations in their capacity of chief builder's foreman completed construction worth 703 million leva. The best fulfillment (105.1 percent) was achieved by the construction and installation organizations of the Ministry of Construction and Architecture. Organizations from the system of the ministries of power supply, transportation, forests and forest industry and the Capital City People's Council failed in their capacity of chief builder's foremen to meet their construction production targets for the quarter, as did also the construction and installation combines of the okrug people's councils.

Overall, the volume of construction of facilities for consumer goods production was fulfilled. Notwithstanding, the construction of such facilities fell behind in the system of the following ministries--light industry, construction and architecture, metallurgy and mineral resources, as well as in the National Agroindustrial Union and the Central Cooperative Union.

Capital assets worth 281 million leva were put into operation in the first quarter. Over 3,900 housing units were completed and delivered to the population.

## IV. Transportation and Communications

Total revenues realized in transportation increased 6.2 percent over the first quarter of 1981.

Some technical and industrial indicators for the utilization of transportation resources were improved. Freight car turn-around time was cut down by about 4 hours. The average 24-hour run was increased 4.5 percent, while average gross freight car weight was increased 1.8 percent.

The revenues realized from communication services performed rose 6.8 percent over the first quarter of 1981.

#### V. Trade and Public Services

Goods worth 257 million leva--or 10.7 percent--more than targeted were produced and offered to the internal market. Enterprises and economic organizations within the following systems--machine building and electronics, metallurgy and mineral resources, chemical industry, woodworking and pulp and paper industry, light industry, internal trade and public services etc.--overfulfilled their targets.

The quarterly plan of personal services for the population was overfulfilled by 10 million leva. Significant growth (16.0 percent) over the same period in 1981 was achieved.

Fewer personal services than targeted for the quarter were performed only in radio and television maintenance and repair (1.1 percent), dry cleaning (1.0 percent), and construction and installation services (14.1 percent).

First-quarter targets for retail goods turnover were fulfilled. Retail goods turnover increased 6.2 percent over the same period in 1981, including goods turnover in the trade network (6.3 percent) and public food service (5.5 percent).

Export targets for the quarter were met, with exports to the socialist countries increasing 13.9 percent over the first quarter of 1981.

The results achieved in the country's socioeconomic development during the first quarter are a good foundation for fulfillment of the second-year plan of the Eighth Five-Year Period.

Comment: Successful Start

Sofia RABOTNICHESKO DELO in Bulgarian 21 Apr 82 p 2

[Article by Yordan Ganev]

[Text] The results of plan fulfillment during the first quarter of the year are an occasion for reflection and for appraisal of what the collectives have done in all spheres of the national economy. They are also a basis for certain forecasts of how targets will be fulfilled during the second year of the five-year plan. Let us say at the very outset that what has been achieved is heartening; the figures and facts show that work is proceeding almost everywhere at high speed, that there is an increasing and ever deeper awareness and testing in practice of the principles of the new economic approach and its mechanism.

As compared with the first 3 months of 1981, aggregate profit has now grown 7.9 percent, net output 4.9 percent; the productivity of social labor has risen 3 percent. The contribution of labor collectives is most significant in power supply, metallurgy and mineral resources, woodworking and pulp and paper industry, internal trade and public services. There is no sector that failed to register a growth of commodity output over the same period of 1981. Industry as a whole produced output worth 8,757,000,000 leva.

However, some negative factors were observable during the quarter. Some economic organizations fell behind in the sales of output and did not achieve the targeted quantities of casting pig, steel ingots, drill seeders and trucks, silk fabrics, faience tiles etc. The arrearage obviously has to be made up. This will take speedy and effective measures, better organization and more efficient administration locally.

Agricultural workers report good achievements; the output they produced is 2 percent more than in the same 1981 period.

The labor of both workers and specialists in construction and transportation was successful.

Goods worth 257,000,000 leva more than targeted were offered to the population; the personal services plan was overfulfilled by 10 million leva.

The statistical data are both laconic and instructive. They reflect the efforts, the creating searchings and successes of millions of workers and specialists in the national economy. What has been achieved is also proof of the strength and potentialities of socialist competition--these strengths and potentialities must be utilized to the maximum extent in the future as well. As Comrade Todor Zhivkov declared in his speech to the Ninth Congress of Bulgarian Trade Unions, "It must be based on economic interests, degree of intensification, technical level of production, quality of output and labor discipline."

The first quarter shows that labor collectives throughout the country are working enthusiastically, with a high sense of responsibility, and creatively to fulfill the plan for the year and for the five-year period.

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MINISTER DWELLS ON FINANCIAL ASPECTS OF NEW ECONOMIC MECHANISM

Sofia FINANSI I KREDIT in Bulgarian No 3, 1982, pp 3-12

[Article by Belcho Belchev, minister of finance: "Improving the Financial Mechanism"]

[Text] The systematic and full application of the economic approach in the entire national economy is of basic importance in the economic strategy of the BCP, as earmarked at the 12th congress. This approach, as Comrade T. Zhivkov emphasized, represents an overall system which covers comprehensive planning, production, distribution and management and ensures the total coordination among them through the objective socialist unity of economic interests of the individual, the collective and society at large. Particularly important in terms of the application of the economic approach are Comrade Todor Zhivkov's theoretical concepts expressed at the October 1981 national conference on basic problems related to building a developed socialist society in our country, the comprehensive intensification and accelerated application of scientific and technical achievements, the enhanced role of counterplanning and the development of the initiative and creativity of the working people in order to ensure the fuller and more efficient utilization of material, manpower, financial and foreign currency resources.

The practical implementation of the economic approach requires a specific economic mechanism, which includes norms, standards, regulations and stipulations governing national economic management. The regulation of these rules and requirements by the state is based on the familiar effect of objective economic laws. Socialist production relations, which are a manifestation of nationwide ownership of productive capital, objectively lead to the highest level of organization and planning in economic management. The objective existence of commodity-monetary relations under socialist conditions calls for the extensive use of a system of economic levers in the economic mechanism governing the management of the economy. These levers are also a form of manifestation and practical utilization of the effect of value categories such as money, prices, cost effectiveness, profits, loans, interest rates, foreign exchange rates, etc.

The specific definition of the individual elements of the economic mechanism is subordinated to the common objective of properly influencing the implementation of the tasks included in the unified plan for the socioeconomic development of the country by combining the economic interests of the organizations operating on the basis of cost effectiveness with the social interests.

The theses on the development of the national economy in 1981-1985, which were adopted at the 12th BCP Congress, call for the comprehensive satisfaction of the steadily increasing material, spiritual and social requirements of the people through production intensification and systematic and comprehensive application of the economic approach and its mechanism in the management of all areas of social life.

The elaboration and application of the new economic mechanism was undertaken in 1979. Its stipulations have been applied in economic management during the past 3 years. The party and state leadership systematically promoted the steady improvement of social management and its coordination with the development of production forces and the level of maturity reached in production relations. The experience acquired during that time, as well as the profound study of the experience of the socialist countries, that of the Soviet Union in particular, provided a good foundation for improving the economic mechanism. The main directions of this improvement were indicated by Comrade T. Zhivkov in the accountability report to the 12th congress. One of the basic stipulations was that all economic and social activities be organized on a cost effective basis and that the role of profit as a criterion of the effectiveness of production and economic activities and a base for the organization of distribution processes be enhanced decisively. The need to improve the process of the formulation of the plan by improving planning technology on the national level and establishing a proper ratio between centralism and decentralization was indicated as well. Particular attention was paid to the role and significance of the 5-year plan and the technology governing the formulation and ratification of the counterplans of the individual economic units.

These stipulations were implemented in the improved economic mechanism, which was ratified with Council of Ministers Decree No 53 of 31 December 1981.

According to the new economic management rules, cost effectiveness is a basic form of economic organization of all economic and social activities. It is the expression of the relative economic autonomy of the economic units. For the first time, territorial units are made autonomous on a cost effectiveness basis--obshtinas, rayons and okrugs. The principles governing their cost effectiveness are based on the characteristics of their activities. The improved economic mechanism includes specific requirements which regulate the rights, functions and obligations of economic and noneconomic ministries and their interrelationship with economic organizations and territorial units. According to the specific conditions, the principles of cost effectiveness have been introduced in the nonproduction area as well--health care, education, culture, etc.

The activities in this area ensure the cultural enhancement of the people, the improvement of health care, the teaching of the growing generation and the training of cadres for all areas of social life. Sociocultural activities will be financed on the basis of norms governed by the principles of cost effectiveness. The application of the economic approach in the nonproduction area provides conditions for improving the socioeconomic effectiveness of expenditures.

An organizational structure is being applied in production activities, which is more consistent with the requirements of cost effectiveness. The economic organization is the basic economic unit in the national economy. It may consist of an economic enterprise, economic combine, economic directorate, economic trust, agroindustrial complex or association of economic organizations. The economic organizations include a certain number of enterprises which also operate on a cost effectiveness basis.

In accordance with this organizational structure, the economic organization is directly in charge of the state planning assignments and is directly responsible for their implementation. These assignments are issued by the Council of Ministers to the economic organizations. The departmental principle of organization and management has been replaced by the sectorial principle. As state organs, the economic ministries manage the economic organizations in the respective sector. This puts an end to the practice of maintaining economic ministries with funds supplied by the economic organizations. Currently, it is the state budget that provides the necessary funds for their maintenance. Since in the course of elaborating the strategy for managing a given sector such ministries establish relations with self-financing units, economic methods are added to the administrative management methods. To this effect the economic ministries are supplied with budget funds for the establishment of the Technical Progress and Investment Funds, whose main purpose is to finance programs which ensure the technical development of the entire sector. A certain possibility exists to link the wages of the personnel of sectorial ministries with the results of the activities of the economic organizations they supervise and, in the case of functional ministries, the overall results of the national economy.

The increased democracy in the management of the individual economic units and the fuller application of democratic centralism are essential features of the economic mechanism. One-man command and collectivism are successfully combined in discussing and resolving problems related to the activities of enterprises and economic organizations. The economic council and the manager of the organization are the management organs of the economic organizations. Management in the individual enterprises is provided by the general assembly of workers and employees, the economic council and the respective manager. These collective management organs perform important management functions: they adopt the counterplan, approve the administrative structure, make decisions on the future development of a given economic unit, adopt measures related to the social development of the collectives, etc.

Economic organizations may act together for the sake of the more effective utilization of production resources and particularly for engaging in joint engineering-application activities. Several unification forms have been established, such as economic societies, joint economic activities, associations for coordination and cooperation and economic associations.

The expansion of the rights and democratic principles governing the management of economic organizations is also manifested in the limited number of indicators on the basis of which the mandatory state planning assignments will be issued. Guided by their own interests and in accordance with the stipulated economic

norms and state planning assignments, the labor collectives will draw up their own technical-industrial and financial plan. As a result of this, in the course of the planning process virtually all reserves will be identified and the creative possibilities of the working people will be developed.

The planned management of the national economy is accomplished through the long-term 5-year and the annual plans for the socioeconomic development of the country. The 5-year plan is the basic planning document. On this basis, the overall activities of the economic organization will be carried out in accordance with the 5-year and annual counterplans which will cover the scientific-technical, production, financial and social aspects. The contractual system is of great importance in the formulation of the plans. The contracts are the basic instrument for the balanced coordination and guaranteeing the realistic nature of the counterplans which are passed and amended by the corresponding collective management organs (general assembly, economic council, etc).

The Council of Ministers shall issue the following mandatory planning assignments and indicators: marketing of basic commodities in physical terms; the total revenue (profit and turnover tax); foreign exchange earnings by type of country; tasks based on national comprehensive programs for scientific and technical progress and environmental protection; ceilings for basic raw materials, materials, fuel, energy and scarce machines and equipment and ceilings on foreign exchange for imports from nonsocialist countries. In addition to such indicators used in the formulation of the counterplan, the economic organizations will be guided by the established taxes, prices, customs fees and norms governing the formation of monetary funds and the regulation of wages.

The use of uniform economic norms governing distribution processes is the other essential feature of the economic mechanism. In order for all economic units to operate under identical economic conditions and for the creation of conditions for the more accurate comparison between the individual outlays of the enterprises with the socially necessary outlays, a system of economic norms has been drawn up and approved by the supreme state power and management organs. The profit tax was introduced with state council ukaze and its amount was determined by the Council of Ministers. For 1982 it will be 55 percent of the balance sheet profit of the economic organizations. A lower tax rate will apply in domestic trade, tourist and marketing-procurement activities--40 percent; the cooperative trade organizations will pay a 30 percent tax. The Council of Ministers has approved uniform standards governing the formation of monetary funds and controlling the growth of average wages.

These most general principles of the economic mechanism are manifested in the financial organization at all management levels--national, sectorial, territorial, economic organization, enterprise, and branch.

For the first time, the overall economic mechanism regulates basic problems related to the drafting and execution of the budget. This creates the necessary coordination between state finances and the remaining elements of the economic mechanism, as well as conditions for the full manifestation of the regulating and controlling influence of the centralized monetary fund on the entire national economy.



In addition to the annual state budget, a 5-year budget plan will be drafted based on consolidated revenue and expenditure indicators on the national level. In this manner the 5-year plans for the development of the national economy will have the necessary financial coordination. The exceptional importance of the consolidated financial plan, which will ensure the overall financial ties with and balancing of the unified plan for socioeconomic development will be asserted.

In this light, the requirement that the expenditures part of the state budget be broken down into target funds is a new feature.

The reorganization of the expenditures part of the state budget into a system of target funds creates conditions for the application of the target principle in financing. This is the basic and decisive principle for the planned channeling of assets provided by the centralized monetary fund. This way, financing "in general," as was so far the case, is replaced by the regulated financing of specific targets and assignments in accordance with their implementation and execution. The following funds will be established: 1) "Investments;" 2) "Economic Incentive of Economic Activities, Public Works and Communal Economy;" 3) "Education;" 4) "Cultural Activities;" 5) "Scientific Research and Technical Progress;" 6) "Health Care, Physical Culture, Sports and Tourism;" 7) "Social Insurance;" 8) "Central, Okrug and Local State Power and State Management Organs;" 9) "Social Financing;" and 10) "Reserve."

Long-term norms will be used in drafting the state revenue and expenditures budget. This will guarantee budget stability and the use of the economic approach in relations between the state and all activities operating on a cost effectiveness basis. We must also bear in mind that the formation of target funds for budget expenditures does not violate the unity of the budget, which is one of the major achievements of the socialist social system.

The normative principle of relations between economic organizations and the state budget, as well as the application of this principle in the overall distribution of income create real economic incentive for upgrading production effectiveness. The individual economic organization knows in advance that in 1982 it will be allowed to keep about 40 percent of its additional profits, and about 45 percent during the subsequent years of the 5-year plan. This creates real prerequisites for long-term financial balancing and planning the resources of economic organizations, which is important in terms of the accurate planning of funds to be allocated for development and application of technical progress. Under the current circumstances, no single economic activity can successfully develop without the timely application of innovations and achievements of scientific and technical progress. To this purpose, and given the existence of self-financing, the individual economic organization will have to rely on its own financial resources, the amount of which will be known with relative accuracy for a period of at least 5 years in the future.

The tax norms are a guarantee that the financial base of properly working and highly profitable enterprises will be broadened. The more they earn the higher percentage of such earnings will be left at the disposal of the respective organization.



Under the new economic mechanism as well bilateral relations between the budget and the economic organizations remain. Along with payments to the budget, some economic organizations will receive financial aid in the form of budget subsidies. The subsidies will create conditions and opportunities for pursuing normal economic activities by losing organizations and for ensuring the production of goods needed by the national economy. Furthermore, subsidies will be granted for the target financing of projects in sectors of decisive importance to the development of the economy (metallurgy, power industry, etc.), and financing the implementation of major scientific and technical achievements.

The mechanism has a system of norms for providing financial aid to some economic organizations. There will be four kinds of subsidies: for economic activities; exports; some items marketed domestically; and financing of capital investments and application of scientific and technical achievements.

The funds of the economic organizations are the manifestation of their economic autonomy and self-financing. They are an important prerequisite in organizing the reproduction process and meeting the individual and common needs of labor collectives. As an element of the economic mechanism, they can be classified as follows: first, funds related to the development of production, investments and overall organizations; second, funds whose basic purpose is to ensure resources for individual incentive and social requirements of the collectives. The first group includes the "Expansion and Technical Improvements," "Economic Risk," "Mastering New Production," "Foreign Exchange;" and "Inventions and Rationalizations." The second group will include "Wages," "Social and Cultural Measures," and "Incentive for Technical Progress."

The formation and utilization of monetary funds gives the economic organizations an incentive to lower expenditures and to increase profits and production effectiveness. At the same time, the system of funds provides a financial base for self-financing, material incentive and material liability.

The "Wage" fund is of basic importance in the system of monetary funds. The assets channeled into this fund are the result of the distribution of the income and profits of the individual enterprise and the economic organization as a whole. This procedure creates a real interest in lowering material expenditures and increasing profits and labor productivity. Enterprises with high end results will be able to pay considerably higher average wages. Should economic results worsen, the corresponding "Wage" fund may turn out to be lesser than the already computed and paid wages. In this case the management cadres will be penalized. Their wages will be reduced without a guaranteed minimum. This will force the managers of enterprises and economic organizations to take economic measures to improve production organization and to apply new technologies and technological achievements in order to reach the necessary profit which will ensure adequate wage funds.

The regulation of the wage fund is based on the increased general income compared with the preceding year and the lowering of material expenditures. The average wage is raised by as much as 0.5 percent per every percentage of increased general income compared with the preceding year. Thirty percent of the

reduction in material outlays is deposited in the wage fund. In some activities other criteria will be applied in controlling the wage fund, with a view to focusing the economic influence on indicators considered important in terms of the respective activities. Thus, for example, the foreign trade organizations will apply two indicators: fulfillment of the plan for foreign exchange income and changes in actual foreign exchange prices compared with the planned figures. Wages in these organizations will be increased in accordance with the approved coefficients for the growth of basic wages per one percent of implementation of said indicators.

Brigade cost effectiveness will be of great importance in the new economic mechanism. It will focus incentives and responsibilities for the effective utilization of resources on the direct participants in the production process.

For the first time, the financial organization of the territorial units will be subject to the economic approach in accordance with the characteristics of these activities. The rights and financial autonomy of the executive committees of obshtina and okrug people's councils will be expanded. Their material responsibility for final economic results will be increased. With the help of the economic levers each territorial unit must ensure a budget surplus.

The people's councils have been given the opportunity to establish on their own initiative various methods for voluntary unification with economic organizations for joint activities in consumer, communal, trade and health population services. Such methods may be applied also in the implementation of joint measures by several obshtinas or okrugs.

The people's councils will draft their budgets on a normative basis. Their budget revenue will come from the following sources: 1) normative withholdings from profits of all economic organizations and enterprises located on obshtina territory. This will include payments made to the obshtina people's councils totalling three percent of the profit shown by the economic units; 2) the sum total of the profit tax paid by economic organizations and enterprises under the direct jurisdiction of the executive committee of the obshtina people's council 3) the tax on the turnover of enterprises under the direct jurisdiction of the executive committee of the obshtina peoples council and from wine and brandy produced by the population; 4) the general income tax from economic activities of cooperatives, societies and public organizations; 5) local taxes and fees and many other revenue channels.

This will enable the individual councils to draw up a realistic budget and coordinate its expenditures with the possible income. The expenditure part of the budget will consist of a system of target funds, as follows: 1) social and cultural activities (with a share for financing health care and social welfare activities, schools and training institutions, culture, mass physical culture, sports, tourism, and youth facilities); 2) economic incentive of economic activities, public works and communal economy; 3) investments; 4) maintenance of local state power and people's self-management organs; and 5) reserve. The establishment of these funds will create conditions for the normal financing of the various activities of the people's councils.

The wage funds for the personnel of obshtina and okrug councils will be set up on a normative basis as well. At the same time, the principal of results, based on income paid to the budget will be applied as well. When an obshtina or okrug

council plan an increase in its own revenue, it will be allowed a 0.5 percent increase in the wages of its personnel per one percent of increase, as the result of reducing the number of the personnel compared with the ceiling. The resulting wage funds will be distributed for current wages and rewards, and will go into the reserve fund. This will encourage the implementation of the principle of material incentive in such activities as well.

Relations between the local budgets and the republic's budget have been organized on a normative basis as well. This will make it possible to determine the specific contribution of each council to increasing revenue and reducing expenditures. All of this creates conditions for enabling finances actively to influence activities of basic importance in the implementation of state and party policy in the individual conurbation systems.

All the changes based on the new economic mechanism will require the adoption of a new working method by workers in finance in drafting and controlling financial ratios.

In more specific terms, this calls for reorganizing the formulation of the state budget, the consolidated financial plan and the financial plans of the economic organizations. Particular attention must be paid to activities which coordinate financially the unified plan for socioeconomic development. The structure of the consolidated financial plan must be improved and analytical activities must be intensified in connection with its formulation. A system of indicators for determining the realistic nature of rates and proportions in the national economy must be used.

The Ministry of Finance faces important tasks related to the execution of the country's investment policy. The realistic nature of investment projects must be proved through the precise planning of financial resources and the forecasting of changes in them. This presumes extensive expert activities and improved planning technology. We must bear in mind that some difficulties appear in the application of economic methods for controlling capital investments and ensuring the considerable decentralization of funds in the area of combining the objectives of the state plan with the decisions of the economic organizations. The work in this direction must be improved by finding and using methods and means for surmounting arising difficulties, consistent with the economic approach.

The stipulations contained in the economic mechanism regarding the role and significance of the counterplan create new requirements in the organization of reciprocal relations between the Ministry of Finance and the economic organizations in the formulation of the financial plan and the approval of the state assignment regarding overall profits. The Ministry of Finance must be able to prove the realistic nature of the total profit indicator as a state assignment in a precise and substantiated manner and make a specific study of the effect of approved financial norms and requirements on profit distribution. The purpose is to determine the extent to which the suggested distribution of profits, in accordance with the counterplans of the economic organizations, is consistent with the overall financial ratios. We must bear in mind that under the new circumstances this cannot be achieved through the directival change of solutions

suggested by the economic organizations. In such cases, new ways and means must be sought to influence the changing of the decisions taken by the economic units, i.e., to encourage them to amend the suggested distribution of financial resources based on their economic interests in accordance with the existing economic levers. Consequently, the task is to analyze steadily the effect of every single financial norm along the stipulated direction.

In order for the principle of self-financing to be applied by the territorial units, their activities must be studied most thoroughly. As we know, the shifting of funds will take place only on a legal basis. This will lower to a minimum the possibility of displaying subjectivism in establishing the financial base of the corresponding council. However, it will also require extensive economic work for the formulation of scientifically substantiated norms.

The new approach in the management of conurbation systems creates conditions for combining the interests of local management organs with those of local economic units. Under these circumstances the local financial organs face new tasks. They must directly observe the activities of economic enterprises on their territory and to analyze them with a view to the identification of reserves and upgrading effectiveness.

The activities of all units in the financial system must be subordinated to the extensive use of financial control. This control must be focused above all on preventing ineffective activities during the formulation of the plan. We must always observe the way the economic organizations make use of state budget funds allocated to them for various purposes. Control must also be maintained over the observance of the stipulated requirements of the financial organization by the economic units. It is thus that the financial workers will make their contribution to the full application of the economic approach and its mechanism.

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WAYS TO PROMOTE RISK-TAKING IN DESIGN, TECHNOLOGY DISCUSSED

West German Commentary

Bonn IWE-TAGESDIENST in German No 37, 1 82 pp 1-2

[Report from Berlin: "GDR Inventors Are To Summon Up More Courage for Risk-Taking." Translations of the two East Berlin articles of EINHEIT and DIE WELTBUEHNE, cited below, follow this commentary]

[Text] In its latest issue (No 10, 1982), the East Berlin paper WELTBUEHNE stated that in the GDR "the number of new investments--while greater than before--is not nearly great enough" and the paper urged the inventors to summon up more courage for risk-taking. The paper stated that it was necessary "to find more essentially new solutions for products and procedures," without which the GDR would not be able to face the cut-throat competition in the world market, and that "a creative work atmosphere that promotes rather than inhibits the readiness to take risks" was of crucial importance in regard to increasing the effectiveness of inventors in the GDR. The theoretical SED organ EINHEIT (No 3, 1982) likewise warned against evading risks in research, because such an attitude would result in mediocre performance.

Difficulties Applying Performance Principle

East Berlin EINHEIT in German Vol 37 No 3, Mar 82 (signed to press 10 Feb 82)  
pp 261-267

['Creativeness and Initiative' feature article by Prof Dr Harry Nick, economist, research director, Institute for Political Economy of Socialism, Academy of Social Sciences, SED Central Committee: "On the High Demands Made on Creative Work"]

[Text] The development of the advanced socialist society challenges and furthers the creativity of the people and it increases the effectiveness of intellectual-creative work. Of necessity, this imposes heavy demands on the people's performance in production and science, in their education and training. Proceeding from the specific characteristics of intellectual-creative work, the author comments on the management, planning and evaluation of scientific work and on the development of performance motivation and risk-taking in research.



Regarding the necessary intensive reflection on how we can systematically implement in the given enterprise and combine the economic strategy of our Party under the internal and external conditions of the 1980's and how we can insure continuous economic growth and thus the consistent continuation of the policy of the principal task, it is imperative to make clear--according to the resolutions of our Party--the necessity to improve performance and to bring home above all those factors that we can fall back on in this endeavor. Thus the positive, readily perceivable results of our economic and social policy, which we achieved last year in the struggle for implementation of the resolutions adopted at the 10th Party Congress, reflect the advantages of the socialist planned economy which are consistently utilized by our economic policy so as to bring to bear and fully develop the economic potential of our country and the industriousness and great skills of our workers. An integral part of this was and is the close cooperation with the Soviet Union and the other countries of the socialist community. And most importantly--we have a party that exercises its leadership also in the field of economics and that is able--on the basis of its creative Marxist-Leninist policy--to mobilize the initiative of the people for the utilization of our capacities. By its timely decisions on emerging problems, by the continuous improvement of management and planning, our Party has mapped out the path toward developing our national economy--by means of a radical economizing process in accordance with the requirements ensuing from the organization of advanced socialism under changed internal and external reproduction conditions and in accordance with our specific preconditions--into a highly efficient industrial country of the 1980's. On this path--i.e. in accomplishing the task set by the 10th Party Congress, namely to organize our economy in accordance with the requirements of the 1980's--we are, to quote Comrade Erich Honecker, "only at the beginning."<sup>1</sup> However, this very beginning confirms that we are on the right track. This is evidenced by the results achieved last year, during which we stood crucial tests in connection with the implementation of the Party's economic strategy and flexibly responded to new conditions. In these efforts, our Party has always paid close attention to the scientific-technical advances, which are exerting an increasingly strong influence on the further organization of the developed socialist society. The further acceleration of these advances is a necessity ensuing from the changed reproduction conditions. It seems safe to say that at the same time there are greater opportunities for effecting economic progress through scientific-technical progress.

The fact that now "the possibilities concerning the scientific-technical revolution have become the principal reserve for our economy's increased performance and efficiency"<sup>2</sup> is attributable primarily to the circumstance that the revolutionary technical changes, the development of which has so obviously accelerated in the 1970's, exert a large-scale influence, that is to say that they increasingly /affect all aspects/ [passage in slantlines printed in italics] of economic progress--savings of living labor, jobs and energy and materials, increased efficiency of basic assets, and significant improvement of the products' utility value. At the same time, practical experience indicates that we must do our utmost to open up and consistently utilize the fields of application of microelectronics, industrial robotics, and electronic data processing.

Among the positive changes in our economic conditions is the marked increase in embodied and living labor that took place in the 1970's. In 1980 the volume of our national economy's basic assets showed a 54-percent increase as compared to 1970. Of great importance in this regard--and crucially important for economic

growth in the 1980's--is the accelerated qualitative renewal of the material-technical basis due to the fact that microelectronics, robot technology and other technical developments increasingly affect the technical-economic level of our material-technical basis and more and more effectively promote the modernization of the available material-technical capacities.

The changes in regard to the quality of our social work capacities are considerable. Regarding the total number of gainfully employed persons, the share of vocational school and university graduates increased from 61 percent in 1971 to 80 percent in 1980, with the share of skilled workers increasing from 49.9 to 57.7 percent. In 1980, the number of gainfully employed university and vocational school graduates in the socialist economy was twice as great as in 1970. Of great significance is the improved general education of the rising generation, which is attributable to the transition to the 10-grade, general-education-oriented polytechnical high school. Thus, regarding the number of young people entering vocational training, the share of students graduating from 10th grade increased from 54 percent in 1965 to approximately 71 percent in 1970, approximately 79 percent in 1975 and approximately 86 percent in 1980. The advances made in the field of continuing education were likewise considerable.

In this development of the education and training of the people, which was truly remarkable for a single decade, extraordinary advances concerning the fulfillment of the meaning of socialism, which ultimately consists in the enrichment of human life and in the overall development of socialist personalities, are combined with the requisite augmentation of the productive, creative abilities of man, with the development of new productivity capacities into a uniform process. It is especially under the conditions of accelerated scientific-technical progress that there applies Marx' statement that true wealth is "the developed productive capacity of all individuals."<sup>3</sup>

#### Technology and the Development of Intellectual-Creative Energies

Our practical experience confirms that economic progress increasingly depends on how fruitful is the interaction between man as the main productive force and technology as the most revolutionary element of the productive forces, between intellectual progress and technical progress. For there is no doubt that the level and the development of the productive capacity of human labor are increasingly directly determined by the qualitative nature of the technology produced and used by man and that on the other hand the intellectual advances, the advances in insight are the source of the technical progress. Thus the inexhaustibility of the efficiency sources resulting from technical progress, the limitlessness of technical progress are ultimately rooted in the boundlessness of man's perceptive faculty.

In this connection, it is becoming increasingly apparent that a central problem of our economic, social and intellectual-cultural development is the question as to what interaction takes place between the advances of technology and the development of the intellectual-creative capacities of the people. Under the conditions of socialist production relations, one increasingly finds that the basic trend in the changes in the nature of work, of the qualitative nature of the work functions to be performed--a trend produced and promoted by the processes of the scientific-technical revolution that are systematically directed in the interest of the people--is the enrichment of work with intellectual-creative elements, the

increasingly harmonious combination of intellectual work and physical work. The fact that this is a trend indicates that this process is not without contradictions, that there is no automatically functioning interrelationship between ascending work mechanization levels--from manual production via mechanized production to automated production--and the improvement of working conditions and work contents. However, considered from a long-term point of view, it is clear that the trend toward enrichment of the work contents with intellectual-creative elements is the predominant one. For example: The increasing employment of electronic data processing--undoubtedly a key process in the present scientific-technological revolution--may produce a situation where intellectual-creative work functions are transferred to technology, but where at the same time new mentally monotonous work functions are created. The information processing technology increasingly tends to mechanize especially those mental operations that can be formalized, that contain only very few creative components; the greater the simplicity of intellectual work functions and the greater their repetitiveness, the easier and more effective is their mechanization.

It goes without saying that in our present social conditions we will actually search for such--objectively increasing--ways of creating personality-promoting working conditions and functions, that we will systematically develop the processes of labor division (which are by no means unequivocally or totally determined by the technical systems); for example, we will expand as much as possible operating zones and work areas and combine work functions (operate, set up (to some extent), program and maintain machinery). Thus we will try to create the conditions necessary for intellectual work even in areas where this is difficult on account of the nature of the technical system. At least we will be able to implement certain compensating measures such as systematic change of the work place, unit assembly, etc. Under capitalist conditions, however, insufficient use is made even of those opportunities and necessities that the technical development brings forth for more complex, generally more interesting and demanding types of work; for the utilization requirements of capitalism are met best by greatly specialized work operations that are easily measured, that can be directly controlled by automatic technical processes and that require few skills. One finds that the following statement by Friedrich Engels retains its validity in regard to capitalist practice even under the conditions of increasing automation: "While the capitalist mode of operating machinery is compelled to continue the old division of labor, even though it has become technically superfluous, the machinery itself rebels against this anachronism."<sup>4</sup> Indeed, automated machinery usually necessitates work distinguished by great initiative and responsibility and requiring great skills. But such work is becoming less and less compatible with work motivation that is based on external pressure, existential anxiety and goading.

#### Required: Scientific-Technical Creativity

There can be no doubt that marked increases in the productivity of human labor in the broadest sense presuppose a deeper understanding of the conditions, factors and special characteristics of intellectual-creative work. This goes above all for the area where by its very nature it plays an important part, namely scientific-technical work and, in particular, research.

First of all, one can safely say that intellectual-creative work--more so than anything else--can exact of man the greatest effort while providing him with the



deepest satisfaction. Karl Marx emphatically opposed the view of the utopian socialist Charles Fourier who held that work could someday turn into pure pleasure: "Truly free work, e.g. composing, is at the same time the damndest seriousness, the most intensive effort."<sup>5</sup> To a large extent, the ability to do creative work is a result of education and training. For one thing: To satisfy the intellectual needs bound up with one's own efforts is a question of developing and cultivating the capacity to experience things--one could also say: the capacity to experience pleasure. It is necessary to awaken the joy over one's own thinking and creating, but also the joy over one's immersion in the stimulating reflections of others, over the satisfaction of demanding curiosity so that the "bursting of the knot" becomes a lasting experience. But this cannot be attained if the student is only tested on the end results of the reflections of others, without anyone explaining to him or her how such an insight was arrived at; or if the staff member of a research institute participates in the improvement of certain developments without ever having experienced how something truly new is created and developed and how it then changes reality. And there is another aspect: Truly significant intellectual achievements are very rarely produced just by the intellect; they are also the result of character. They require a great deal of intellectual curiosity, industriousness, commitment, an unconditional desire to succeed, steadfastness, much endurance, over long stretches doggedness, and the willingness fully to spend oneself. It is especially in the field of intellectual-creative work that truly intense work guided by high standards greatly contributes to personality development.

Secondly: Intellectual work is characterized by the fact that in this field there are great differences in regard to the individual persons' capacities. This entails significant conclusions concerning the development of talents, the selection of cadres, and the consistent implementation of the performance principle in areas in which intellectual-creative work is a key factor, e.g. in research institutions. To be sure, in these areas consistent implementation of the performance principle is a complicated matter; nonetheless, it is most important. Among other things, this is attributable to certain objective characteristics of intellectual-creative work, e.g. to the fact that strictly speaking the result of scientific work must be unique (unprecedented); it always presupposes thoughts that no one had thought before and to some extent it is necessary to break new ground. However, the input is unique as well. The Greek philosopher Plato stated that when two boys, each of whom has one apple, exchange these apples, they end up having just one apple each. But when two persons, each of whom has one new idea, exchange these ideas, each has two new ideas. Or to put it differently: If we produce a machine 10 times, we need 10 times the material and the living labor necessary for producing this machine. But if we realize through this machine a new technical principle, the expenditures for funding this principle are needed only once, no matter whether the principle is applied once, 10 times or 1000 times. This means that the effect of intellectual-creative work largely depends on the multiple use of its results. It is for this reason that thorough literature and patent research, repeat use of research and innovator results, and exchange of experience are of such great, increasing importance in regard to improvement of work efficiency.

Thirdly: There is no unequivocal interrelationship between an idea's degree of novelty, its economic yield and the expenditures necessary for finding it. There are extremely bold and economically very profitable ideas that require very little input--the container transport system is an illustrative example in this respect.

But there are also research efforts that do not immediately, not in every instance or not immediately perceivably produce economically useful ideas.

The important thing is to make allowance for the special characteristics of intellectual-creative work and of scientific work in particular and to take advantage of them so as to markedly increase their effectiveness. This is all the more important as practical experience has shown that from the special characteristics of intellectual-creative work people sometimes draw incorrect, but easy conclusions that justify meager results: They say that the given project is difficult and not amenable to planning, that the scientific results can be evaluated only with difficulty, that the input and the results are not amenable to comparison and that the risk is very high--in short: "I simply cannot plan my inspirations!"

The experience gained by successful scientific-technical institutions shows something entirely different. Significant, lasting results in intellectual-creative work can be attained only if it is possible by means of systematic and prudent direction to accomplish a dualistic and essentially contradictory task: On the one hand, it is necessary to create and systematically to further an atmosphere of active searching for more effective solutions, of critically examining what is at hand--an atmosphere of productive unrest. It is only on such soil that a sufficient number of good ideas will thrive. On the other hand, due to the high rate of scientific-technical progress, new ideas in certain fields must arise when needed and the new processes and products must meet high requirements that are not for us to choose. This will be attainable only if the scientific-technical creativity is systematically directed and promoted, if the development and utilization of creative faculties is accompanied by an awareness of the socially binding nature and long-range effects of scientific-technical work. If we gave in to the view that due to their special nature the results of scientific work cannot be planned, this would essentially mean to forgo the planning of economic development.

#### High-Level Requirements

But our experience shows the contrary: High economic and social targets stimulate great scientific-technical achievements and accelerate the practical application of these ideas. Naturally, one must also provide space for the finding and implementation of "accidental" ideas. But generally speaking, one can say that the greatest practical effect is produced by those ideas that best meet the actual requirements and conditions of production, that are derived from the science and technology plans and that are developed and practically utilized through well-organized socialist cooperative work based on innovator agreements distinguished by concrete objectives. To be sure, it will be necessary in regard to management, planning and performance evaluation to make allowance for the differences between basic research, applied research, development and immediate production preparation. Generally speaking, however, one can say that the probability of inventions and discoveries in the economically essential fields and at the appropriate moment must be as high as possible, that it must border on certainty. And precisely because the certainty of the economic results of scientific work is relatively lower as compared to production proper, a high level of requirements is of crucial importance in regard to the planned level of results. Truly successful work in institutions whose specific task is to produce economically useful inventions and discoveries can have only one guideline, namely: "Success is obligatory!"



At this point, there will be objections: It will be argued that it could happen that what is necessary will not be produced at the appropriate time. This is certainly possible, and objectives by any means to be obtained must therefore sometimes be realized by a flexible approach. Regarding the inescapable "obligation to succeed" resulting from the objective developmental conditions of our national economy, people sometimes raise morality-oriented objections derived from the humanistic nature of socialism: Does not this requirement bring us close to the rules of a "rat-race society" in which only those who are successful will be respected? It is pointed out that people differ in regard to their natural talents and faculties. Should we not honor primarily the individual's personal effort to do his or her best for society?

In this connection, we first want to draw attention to the humanistic value of economic progress under socialist conditions. In socialism, economic progress is the most important material foundation for the enrichment of human life in the broadest sense. For example, there is no doubt that the improvement of the material living standard is of great cultural importance. Moreover, it is not for us to choose the conditions, preconditions and standards of economic growth: They are determined by the material developmental requirements of all areas of social life, by the requirements of peace preservation and of the class struggle with imperialism, in short: by the sum total of the internal and external developmental conditions. Besides, the general and unqualified respect for all useful social work, which flows from the nature and the basic values of socialism, must not be set against the special requirements of specific activities. The socialist society needs a great variety of activities—both in terms of their nature and in terms of their content—including physically very demanding work. /An individual's honest performance of his or her duties merits the greatest social respect. This goes for every necessary type of work./ [passage in slantlines printed in italics]

In the field of research, this kind of job performance implies accomplishment of top-level scientific-technical work. In this field, morality-based rejection of mediocrity in regard to self-imposed requirements is actually indispensable, because such "self-moderation" can mean only one thing, namely that the task at hand will not be accomplished. Here one should point out that what goes for any other type of work goes for research as well: Not everyone is suited for it.

It goes without saying that scientific-technical work carries an especially high risk. And it is one of the foremost tasks of socialist management work correctly to establish the conditions of the risk and to train the workers to evaluate and consciously to take risks. One thing is absolutely clear: The attempt to evade risks in this field will soon lead to mediocre results. Thus management must incorporate risk-taking. Naturally, risk-taking implies that a given target may not be attained. But it would be wrong to praise a risky decision if its outcome is positive, and if it is negative, to claim the decision was wrong.

To be sure, the evaluation of scientific achievements, of the results produced by design and planning institutions is very difficult; but I think that the many attempts to establish strict norms for the various partial jobs, to employ complex evaluation tables so as to "objectify" in this way the performance evaluation have been unproductive, except for excessive documentation and fruitless arguments.

Regarding just evaluation and effective stimulation of performance in these fields, the key factor is a high degree of quality in regard to the management work. Experience has shown that for all the complexity of performance evaluation within a collective, there is a high level of agreement in regard to the evaluation of the individual person's performance capacity and his or her actual performance; these evaluations are quite differentiated and consistent. Obviously, the difficulties in regard to performance evaluation are by no means primarily of an objective nature; rather, they are for the most part due to the frequently insufficient consistency in regard to the implementation of the performance principle.

Due to the complexity of the input-output ratios in intellectual-creative work, it is necessary--just as for a number of years has been the case in the industrial price formation according to the so-called price-performance ratio--that in measuring the socially justifiable input for work accomplished the scientific-technical institutions--insofar as they proceed in accordance with the principles of economic accounting--take into account the result, i.e. the economic benefit attainable in the application of these work results. If one proceeds differently, i.e. if the price formation is guided primarily by input-oriented considerations, the stimulating effect will always be the wrong one. Precisely because the outcome and the input of scientific-technical work are to a large extent non-recurring, such a type of performance evaluation means that the society accepts the individual input, as it were, i.e. that the price will be the higher, the greater the input. However, what we want to achieve is that the price functions as a social input norm, i.e. that it motivates the given producer to reduce the individual input. There is no doubt that the predetermination of prices, their orientation toward the economic benefit of the results is one of the elementary preconditions for a high degree of effectiveness of the economic accounting in these fields.

Socialism offers the best social conditions for the development of man's creativity, for a high and increasing effectiveness of intellectual work. It is precisely under the conditions of the scientific-technical revolution that one witnesses the manifestation of the moral and economic superiority of a social system that has made the self-confident, creative and highly educated individual its ideal and that systematically and successfully tries to improve the conditions necessary for the development of this creativity. To demonstrate a sense of purpose in this respect is one of the most important tasks of our economic activities--especially under the conditions prevailing in the 1980's.

#### FOOTNOTES

1. See "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED, Berichterstatter: Genosse Erich Honecker" [From the Report of the Politburo to the Third Session of the SED Central Committee; Speaker: Comrade Erich Honecker], Berlin, 1981, p 24.
2. "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED, Berichterstatter: Genosse Erich Honecker" [Report of the Central Committee of the Socialist Unity Party of Germany to the 10th SED Congress; Speaker: Comrade Erich Honecker], Berlin, 1981, p 49.

3. Karl Marx, "Grundrisse der Kritik der politischen Oekonomie" [Outlines of the Critique of Political Economy], Berlin, 1953, p 596.
4. Friedrich Engels, "Mr Eugen Duehring's Revolution of Science," in: Marx/Engels, "Werke" [Complete Works], Vol 20, Berlin, 1962, p 274.
5. Karl Marx, "Grundrisse....," op.cit., p 505.

#### Incentives for Inventors

East Berlin DIE WELTBUEHNE in German Vol 77 No 10, 9 Mar 82 pp 289-292

[Lead article by Walter Florath: "Do We Invent Enough"?]

[Text] While the number of inventions in our country is greater than before, it is not nearly great enough. This is how one could succinctly answer the question as to the state of invention in our republic.

The task markedly to raise the level and to increase the number of inventions follows from our economic strategy. Erich Honecker pointed out to the first secretaries of the SED kreis [GDR administrative unit] administrations that if there is any truth to the rule of thumb that a 1-percent increase in production calls for a 1-percent reduction in specific material and energy consumption, then we need more inventions.

We need many more solutions to technical problems--solutions that by world standards represent something new, that serve further to develop essential aspects of established technologies, to quote the definition of "invention" given in our Economic Dictionary.

What is our present situation in regard to inventions? During the past five-year plan period, the number of patent applications increased from 4,172 in 1976 to 6,599 in 1980. Last year, patent applications again increased by 12.4 percent, the total for 1981 amounting to 7,420.

Internationally, these figures put the GDR in 8th place. The greatest number of inventions were registered in the USSR and in Japan, with the United States following close behind. The patent applications filed by these three states accounted for approximately 70 percent of the 500,000 inventions made in the world last year. The aforementioned states had many more inhabitants, engineers and scientists than the GDR. Thus, to make an international comparison, the mere number of patent applications is not sufficient. A more important factor is the patent yield value, i.e. the number of inventions patented per 100 university and technical college cadres. In this respect, too, matters are improving in our country: In 1979, only five inventions were patented per 100 university and technical college cadres; in 1980, there were 5.9 patent applications and in 1981, as many as 6.4.

This gives rise to the question whether it is actually possible to invent more. The answer can be found in the practice of those state-owned combines in which the number of inventions exceeds the average number of inventions made in the national economy as a whole: As early as 1980, the Polygraph Combine attained a total of 13.1 patents were 100 university and technical college cadres, thus exceeding the

average of the OECD states, which in 1981 amounted to 12.7. Toward the end of last year, Deputy Minister Dr Koehler stated that the chemical industry registered 7.8 inventions per 100 university and technical college cadres, with the best combines attaining as many as 11 inventions; it is hoped that by 1985, there will be as many as 13 inventions per year.

Like the chemical industry, most of our combines recorded increases in the number of inventions. All in all, the number of workers participating in invention-related work increased from 11,700 to 14,000. Thus there is no substance to the claim that some combines show little inventiveness. In this connection, it is well to recall Marx' statement concerning intensively expanded reproduction, not the least of whose requirements is a high level of inventiveness. Marx wrote: Expanded reproduction may be "extensive, if the field of production is expanded; intensive, if the means of production is made more effective." Are not inventions the best means of improving the means of production (and the products)?

Exactly what kinds of invention are needed?

New technologies are especially important; they represent the precondition for effecting large-scale economies of working time and labor. During the period from 1976 to 1980, we realized savings of 1,664 million hours of working time; from 1981 to 1985, we hope to be able to increase this total to at least 2,845 million.

Toward the middle of last year, the FINANCIAL TIMES observed in this connection: "The world's first mass production system employing the explosive forming process in the production of axle boxes helps East German enterprises to effect considerable annual savings. This process dispenses entirely with expensive process and machine tools." The FINANCIAL TIMES emphasized that this was not an improved conventional process, but a totally new technology, which in 1980 had resulted in savings of 60,000 working hours and of over 750 tons of material. According to the FINANCIAL TIMES, the service life of the truck axles produced by means of the explosive forming process exceeds by 40 percent that of the axles produced by conventional methods.

However, new technologies mean not only reduction of the work and material input. Frequently it is only these technologies that make possible the production of novel articles; they lead to decisive improvements of quality. The Law on the 1981/1985 Five-Year Plan stipulates that in the production of microelectronic building elements it is imperative "in international fields to attain the highest international standard in regard to the costs and the quality of the technologies employed."

The work of inventing is based on talented people having ideas and energetically implementing them. Even though it is impossible to plan when a person will have an idea, it is possible and necessary clearly to define--in accordance with our economic strategy--the research and development goals in the science and technology plans and in the duty books, the operational blueprint for scientists and engineers, and to plan the application of capacities and means accordingly. For we are not concerned with inventing some unusual products; we are concerned with inventing products that are needed by the entire national economy, that yield great returns in the export trade. So to invent an inexpensive anticorrosion agent would be preferable to finding an agent for removing freckles; however, the cosmetic industry is not prohibited from inventing such an agent.



Of great importance are inventions that improve the processing of materials, processes that prevail in the chemical industry, in the metallurgical industry and in the enterprises of the glass and ceramics industry. We need more and more effective procedures that allow greater refinement of raw materials, without any increase in energy input.

Our socialist planned economy avoids friction-caused losses such as are inevitable in the competitive system prevailing among capitalist enterprises. This enables us to attain a high rate of invention utilization. In our country, no state-owned combine obtains a patent for an invention just to put it on ice and thus to gain an advantage vis-a-vis another state-owned combine.

This does not mean that we must immediately utilize all inventions. It is preferable to have some inventions on reserve, as it were. It is not sufficient to invent and patent just one product, a single process, for enterprises competing in foreign markets could then relatively easily develop similar processes and products and get around our patents. But if these similar products and processes are invented and patented by us, we can somewhat longer maintain a strong market position.

The aforementioned upswing in the inventive work done in our republic is related to the fact that as early as the beginning of the 1970's the SED pursued a policy oriented toward growth through utilization of qualitative factors. As Erich Honecker emphasized, our rate of development planned for the 1980's is based on the possibilities offered by modern science and technology. This is what will decide the outcome. Honecker stated further that we must utilize both the big and the small reserves, but that presently the truly crucial advances begin at the drawing board and in the laboratory.

By analogy with this economic strategy, we have created the legal foundations for the expansion of invention. According to a resolution adopted by the Council of Ministers in March 1978, the work of inventors must be supported and oriented primarily toward the key areas of scientific-technical progress. The resolution stipulates that proposals and complaints of inventors be dealt with carefully and answered immediately.

Since the granting of a patent applied for is always preceded by a thorough examination that of necessity is time-consuming, the resolution stipulates that already at the time of application a bonus be paid in the amount of M 300 to 500; if the invention was made by an inventor collective, the premium may be as high as M 1,500. In the event of economically very significant inventions, additional premiums up to M 10,000 will be paid, regardless of the beginning and the scope of the subsequent benefit. These remunerations are not deducted from the inventor's remuneration proper; they represent additional payments.

As a rule, it is larger collectives that develop a research result to the level of patent maturity. The inventor is dependent on the support of such collectives, and for this reason they are provided with a material reward of up to 20 percent of the respective inventor's remuneration. In addition, the resolution stipulates that the inventor's achievement be publicly appreciated and honored. The maximum remuneration permissible is M 200,000, a considerable material incentive, which is linked to an attractive moral incentive. For aside from the honorary title "Deserving Inventor," outstanding inventions may be honored by being given the name of their creator.

It goes without saying that the key factor in regard to successful technical inventions is a creative work atmosphere that encourages rather than inhibits risk-taking. Such courage to take risks--which is not to be confused with a careless, irresponsible handling of state-owned assets--is necessary to produce a greater number of essentially new solutions for products and processes. We also need inventions that push internationally known technical solutions to the production stage or that improve products and processes presently produced or operative. It would be unsatisfactory, however, if such inventions constitute the major part of the total volume of inventions made.

Consequently, it is necessary everywhere to create a work atmosphere in which the engineer or scientist is encouraged to break new ground and in which this breaking of new ground occurs swiftly and successfully so that our republic is enabled to stand its ground in the world market, a market characterized by cut-throat competition.

#### Effectiveness of Incentives

East Berlin EINHEIT in German Vol 37 No 3, Mar 82 (signed to press 10 Feb 82)  
pp 254-260

['Creativeness and Initiative' feature article by Dr Rudi Winter, economist, member, SED Central Committee; general director, VEB Fritz Heckert Machine Tool Combine, Karl-Marx-Stadt: "Intellectual Creativity in the Spheres of Industry Dealing with Preparatory Stages of Production"]

[Text] To accelerate the scientific-technical progress in the combines, to reduce the innovation times and through new products to meet the requirements of the next few years imposes heavy demands on the management of these processes. How does the Karl-Marx-Stadt "Fritz Heckert" Machine Tool Combine VEB direct the creative activity of all workers toward goals that guarantee further advances in the expansion of output--advances that lead to products good enough to face the stiff international competition? What are the conditions that must be established in research, development and technology in order to achieve top-level results?

Karl-Marx-Stadt "Fritz Heckert" Machine Tool Combine VEB

- In the last 5 years, the combine's production program has been restructured; the rate of development is being further increased. The increase in utility value effected by the new products amounts to 40 to 50 percent.
- Ninety-two percent of the combine's products subject to testing bear the "Q" quality seal.
- Last year, 126 patent applications were submitted in the course product development.
- Of the 27,700 workers employed by the combine, 19.8 percent are university and technical college cadres. Approximately 3,000

employees work in the fields of technical production preparation.

--The results produced in the field of science and technology have been honored through conferral of the National Prize on 54 researchers, designers, technologists and workers; 23 employees were awarded the honorary title "Deserving Technician of the People"; the combine employs seven "Deserving Inventors."

Our Party's economic strategy for the 1980's has proved successful; the further development of our national economy is successfully proceeding along the course charted. This appraisal by the third session of the SED Central Committee is based on the excellent economic results and on the increased creative force of the socialist competition. Again it has been shown that in spite of limited reserves of raw materials, energy, materials and working time, the consistent utilization of the possibilities offered by intensively expanded reproduction effects steady increases in disposable output and thereby a high rate of steady economic growth. To insure continued success in our work, the industrial combines must try on the basis of the available assets to attain an even higher rate of economic growth and fully to meet or exceed the export and supply targets.

The 10th Party Congress emphasized in its resolutions that to accomplish this it is absolutely necessary "to take a new step in combining the advantages of socialism with the achievements of the scientific-technical revolution."<sup>1</sup> This means above all to accelerate the scientific-technical advances, to introduce without delay both the available and the rapidly incoming scientific-technical findings into the production process, and fully to utilize the production capacities and the social work capacities toward increasing labor productivity and efficiency. It is especially through comprehensive application of microelectronics and through large-scale employment of various robots that we will be able to open up great performance reserves and to make progress in developing and producing new products distinguished by a greater utility value, while markedly reducing the input of embodied and living labor. Owing to microelectronics and robotics, the requisite raising of the manufacturing level will be attained above all through the automation of entire production processes.

In the metalworking industry, it will be necessary rapidly to enforce this crucial development also in small- and large-scale series production. Thus, on the basis of scientific-technical progress, it will be possible in all industrial branches of this sector to attain the high growth rates in labor productivity that are necessary for implementing our Party's economic policy. In order fully to take advantage of these growth-promoting conditions, it is all the more necessary to insure in every combine a high level of management and planning of the reproduction process and politically and ideologically to prepare the collectives for the continuously growing requirements of the national economy. To accomplish this, concrete measures must be taken--measures ranging from the development of products and technologies to the rationalization of the production process so as to guarantee a significant expansion of output. On this basis, the base organizations of the Party and the trade union groups will be able by means of their political-ideological work to produce the effect, to develop the capacities that make the socialist competition a guarantor for further performance increases.

## Flexibility and Technical Progress

The machine tool is of crucial importance for many branches of industry. Thus the machine tool building industry carries special responsibility for continuously developing new means of production that insure an above-average growth rate in regard to production, exports, labor productivity and efficiency. In order fully to meet these requirements, the efforts of the collectives in the "Fritz Heckert" Machine Tool Combine VEB are being successfully focused on the production of machine tools that on account of their utility value are in great demand in the world markets, that meet the requirements of the GDR's metalworking industry and that are produced with great efficiency.

Due to the diverse, objective conditions of both the external and the internal markets, we are forced to adopt a very broad production program, which comprises over 1,000 machine variants. Automated machines that in many cases must be adapted to the specific utilization conditions make up a large part of this program. This leads to small- and medium-scale series production and to additional services necessary for customer satisfaction. Thus the design-related and the technological input for production preparation is rapidly increasing and the implementation of the production process proper is imposing much heavier demands on the workers' level of expertise. It is very much worthwhile to solve these extremely complex problems, since the potential price per 1 kilogram of material for a technically exacting product such as a machining center exceeds by far the input on a conventional standard machine. Thus it is not only in the interest of demand-oriented production that we are concentrating--in regard to the further development of the combine--on the production of this modern technology; rather, it is a task based on the interests of the national economy as a whole, a task necessary for a higher degree of material refinement, a task requiring initiative, ideas, creativity--in short, the creative efforts of all workers. "A higher degree of refinement of the raw materials and materials used is the key factor in insuring further expansion of output. In econopolitical terms, improved refinement means through more sophisticated work to add value to each kilogram of initial raw material used."<sup>2</sup>

By producing our machines through the unitized construction process and by employing computerized machine tools in the mechanical production process, we are able--even under the complex production conditions ensuing from small series--to attain a high degree of labor productivity and efficiency in the production of machine tools. Evidence of this are our combine's 2-digit annual growth rates--which by now have become an established routine--and--even more importantly--the positive results achieved in the world market. This positive development entails the challenge self-critically to evaluate the scientific-technical and the economic results achieved and to measure them against the advanced international standard. In regard to the evaluation of our economic activity, we therefore not only consider the degree of plan fulfillment and the growth rates attained; we always take into account the highest international standards in science and technology. Karl Marx pointed out that the average social input required is the criterion for the labor productivity attained. "Work of exceptional productive force functions as magnified work or it creates during an equal time span higher values than does the average social work of the same type."<sup>3</sup>

Our objective in the socialist competition is not only to struggle for higher growth rates, but to try--through a maximum of industriousness and creativity--to



achieve the performance increases by which we can attain and exceed the international standard. Thus the true indicator and touchstone of the position attained is the volume and profitability of our exports in the markets essential for our national economy. It is only when the products of a combine withstand the stiffest competition in the world market that our work is truly successful. Thus we are focusing our management and planning work in the combine on the acceleration of the scientific-technical advances, on the swift development of new productions and technologies and on their rapid introduction into the production process.

#### The Decision Is Made at the Drawing Board

In the machine tool building industry, an innovation cycle of approximately 5 years has been established; this means that the utility value of a new product must considerably exceed the average international level if it is to be competitive and marketable as late as the 5th production year. Thus, if the product development takes 2 years, the planning and design experts must take into account the scientific-technological and the commercial requirements over a total of 7 years, and further reduction of the innovation cycle will entail even higher demands.

To insure that the necessary management decisions can be made with sufficient assurance, we have worked out long-term conceptions for the development of both the scientific-technical and the economic processes. They include the combine's marketing strategy and the basic tasks concerning the development of the products, the development of the technology, the implementation of socialist rationalization--primarily by means of intensified application of robotics--and the further improvement of organization. Proceeding from the growing requirements of the national economy, these conceptions have steadily been defined in greater detail and they have been oriented--especially after the 10th Party Congress--toward above-average performance development of the combine, toward marked reduction of the production input and toward improvement of the input-output ratio. These conceptions form the basis of the elaboration of the duty books, which establish the crucial performance parameters for the research and development tasks. In order to produce top-level results, we are making heavy demands on the creativity of the scientific-technical cadres and we are increasingly successful in reducing or entirely eliminating the coordination input and the routine work so as to effect intensification, time savings and a high degree of quality in the research and development process.

It is an indisputable fact: Whatever is squandered in the design process is lost to our society and cannot be recovered, no matter how great the efforts at the subsequent technological and production stages. Conversely, outstanding designs that lead to a high product utility value with a relatively low input of materials, energy and working time establish already at the drawing board the crucial preconditions for high labor productivity and efficiency at the subsequent production stages.

Due to the necessity to expand the output of "custom-made" products, high growth rates of industrial commodity production and, in particular, of exports presuppose not only outstanding quality in regard to the technical production preparation, but also large and steadily increasing capacities in both the design-related and the technical fields. For this reason, the performance increases of our combine are largely determined by the available scientific-technical capacities, above all by the capacities of the technical and design-related branches. Consequently, in the

management and planning of scientific-technical progress, we are concentrating on two crucial tasks: Firstly, we are directing our efforts toward the development and subsequent maintenance of a large assortment of top-grade products distinguished by patentability and good marketability. Secondly, to meet the resultant, continuously growing technical and design-related requirements, we are intensifying the research and development processes by means of new equipment and more effective work methods and we are expanding the capacities for the technical production preparation.

Among the key factors concerning the implementation of our research and development conceptions, the most important are the expertise and creativity of our scientific-technical cadres and their desire to produce above-average production and export results primarily through their personal efforts. For this reason, we support and strengthen the motivation of our designers and technologists through exacting tasks determined by the highest international standards in science and technology and by paying tribute to outstanding results. We have achieved positive results through encouraging--by means of bonuses--top-level performance in this field; likewise, conferral of the titles "First Designer" or "First Technologist," which are accompanied by a raise, has a stimulating effect on the socialist competition and its results.

We demand and defend sound risk-taking, without ignoring the fact that not every breaking of new ground is successful. In our management practice, we therefore do not entertain any exaggerated ideas concerning liability, if the objectives cannot be fully attained, but we also do not ease up on the requirements concerning strict accountancy in the duty books. For it is precisely the creative urge for top-level achievements, the constructive efforts to attain this objective, that is furthered in this way.

Since the defense of exacting objectives of this type includes the participating designers and technologies and since the critical review of the duty books is undertaken together with the collectives in accordance with the resolutions adopted last year by the Politburo and the Council of Ministers, many cadres are developing the requisite high motivation for meeting the high performance requirements through collective and individual creativity. All this imposes heavy demands on the management of the technical processes and on each individual cadre. Considering that a designer in his or her work not only lays the foundations for high product utility values, but that he or she also must largely determine the future technology for the production of the individual parts and construction unit, these demands cannot be underrated. For example, the designer determines already at the drawing board whether a flange or a shaft is to be turned out of the solid body, whether it is to be rough-forged or whether it is to be welded from several units. As automation progresses, the ability of the designers fully to grasp technological processes and to help develop them toward high productivity increases is assuming increasing importance. As the material-technical basis of the metalworking industry is more and more determined by the new tooling centers that have been introduced into the production process, the individual parts and construction assemblies to be produced must be designed for the construction capacities of this new technology, i.e. they must be designed in accordance with the production requirements.

Tooling centers allow fully automated machining of a certain blank in a single setting. Thanks to the swivel-feature of the work-piece palette, planes and boreholes

can be aligned at any angle. Thus it is possible to combine the functions of several work pieces, which in conventional processes would have to be produced and assembled separately, in a single complex work piece.

If these production-related possibilities are taken into account in the design of the new products, it is possible markedly to reduce the number of the parts making up a machine. Practical experience has shown that an average of three conventionally produced parts can be combined in a single complex unit. This results in a radical reduction of working time, materials and costs. There is also a significant reduction in management and administration input, because orders must be placed and computed for only one-third of the originally scheduled items. It is obvious that for this reason the number of the individual parts of each new product has become an important evaluation criterion in regard to both the scientific-technical and the economic levels.

In the design process, it is necessary to insure that instead of the 1,500 individual parts for a highly automated machine, which were required under the conventional production system, only 500 to 800 individual parts are scheduled in accordance with the given production conditions. Use characteristics that call for higher expenditures, but that are not honored by the market, must be excluded from the duty books from the outset. It has long been established that the highest scientific-technical level is attained not when all possible use characteristics are present in one machine, but when the requisite production task is accomplished with the smallest input of living and embodied labor.

In the socialist competition, the research and development collectives compete for the best results and they try constantly to improve themselves in the work process so as better and better to meet the requirements. In view of the great influence exerted by microelectronics and automation technology on the scientific-technical progress in the machine building industry, the machine designer needs to be knowledgeable in these rate-determining fields. It is necessary better to control the interfaces between mechanics and electronics, the conversion of electronic signals into mechanical movements and the registration of physical quantities by electronic signals. Thus the machine designers must increase their knowledge of electrical engineering and electronics, and the electrical engineering and electronics experts must have some basic knowledge of the mechanical processes.

Thus the training of engineers gives rise to new questions that we must take into account in the development of the curricula of universities and technical colleges, in order better to prepare the future graduates of these educational institutions for their creative work. The deepening of technical expertise, including the acquisition of special knowledge, must take place within the work process; in this respect, specialized continuing education centers such as the center for microelectronics at the Karl-Marx-Stadt Technical College and at our own research center are of great benefit.

In order to be able to expand the scientific-technical capacities not only intensively, but also extensively in accordance with the requirements, we feel it is necessary to make a large number of young, competent skilled workers from our combine's enterprises enroll at universities and technical colleges. All of the students of the class of '82--graduating from the plant vocational school of the parent enterprise--applied for admission to a university. Through sponsorships



established with expanded high schools by collectives of our combine, we are awakening there, too, the young people's understanding and enthusiasm for the technical sciences and we are encouraging them more than ever before to study the engineering sciences at the technical colleges.

Moreover, we are engaged in close socialist cooperation with universities, colleges and other scientific-technical institutions. This cooperation includes systematic and complex collaboration in crucial research fields in the natural and social sciences, joint utilization of sophisticated scientific apparatus, and improved training and advanced training of cadres.

### High-Level Technology

The report of the SED Central Committee to the 10th Party Congress emphasized that the raising of the technological level "must be accomplished primarily through large-scale application of microelectronics in the production process, through automated process control and through introduction of industrial robots."<sup>4</sup> To meet this requirement, the combine establishes--along with every product development task--the targets for insuring a high technological level, for product development, technology and production rationalization are inseparably linked. Thus the production of new products that help determine the highest scientific-technical standard is inseparably linked to the introduction of new technologies and to the raising of the overall technological level. Conversely, new technological principles and procedures trigger essential impulses for the development of new products. For example, it is now possible by means of milling machines that are distinguished by higher drives and that allow higher spindle revolutions and higher tooling tolerances largely to eliminate the expensive grinding operations. On the other hand, this production technology gives rise to ever new and farther-reaching requirements concerning development of the milling machines.

In order to meet and exceed the targets--both the targets resulting from the aforementioned technology and other, increasingly exacting technological targets--we have continuously created and expanded essential capacities for technological research and development. Thus, in close collaboration with the Research Center of the machine tool building industry and with the technical colleges of our republic, the combine's production enterprises are carrying out significant research work, which accounts for the major share of the planned savings of basic working time in the field of technology. The technological researchers are solving key problems such as the further intensification of the milling, turning and grinding processes. Other research projects are oriented toward gradual development of integrated, object-specific production sections and toward rationalization of the surface treatment and assembly processes. Test departments designed to facilitate technological experiments have proved quite successful in this respect.

The employment of modern technologies also requires a great many initiatives and considerable material investments for the independent construction of rationalization equipment. In this respect, we are concentrating on unconventional means of production, and in this field, too, we are utilizing the advantages offered by specialization and concentration in the combine, thus avoiding inefficient parallel production. A focal point of our technological work and of the construction of rationalization equipment is the development and employment of feeding robots for machine tools. This year, having gained some initial experience in the development



and utilization of technological units, we will start at the Plauen "VOGTLAND" Wema Combine Enterprise the series production of the WMR 01 Robot, which is most suitable for the feeding of machines designed for the production of small parts and which meets the economic criteria concerning reduction of manpower and input recovery time.

Regarding our future work plans, we are proceeding from the assumption that the performance development on the scale required due to the growing foreign economic requirements calls for much greater efforts in regard to further rationalization and intensification of the reproduction process. Consequently, in our management and planning work, we are trying--by means of the possibilities offered by socialist rationalization, which range from the introduction of the latest scientific-technical findings to the application of new technological solutions and the utilization of the workers' ample production experience at the machines and assembly places--to make better and better use of both the available and the newly emerging reserves for the improvement of labor productivity and efficiency.

As regards the political-ideological work, the base organizations of our Party in the combine enterprises aim to establish in all collectives a creative atmosphere conducive to further initiatives toward reduction of the production-related time and capital input and simultaneous improvement of both quality and efficiency. That this approach is successful is demonstrated by the excellent work results produced by the Communists and all the other workers of the combine in regard to acceleration of scientific-technical progress, rapid introduction of new products and technologies into the production process and reduction of production input.

#### FOOTNOTES

1. "Report of the Central Committee of the Socialist Unity Party of Germany to the 10th SED Congress. Speaker: Comrade Erich Honecker," Berlin, 1981, p 49.
2. Guenter Mittag, in: "Kombinate im Kampf um die Durchfuehrung der oekonomischen Strategie des X. Parteitages" [Combines in the Struggle for the Implementation of the Economic Strategy of the 10th Party Congress], Berlin, 1981, p 41.
3. Karl Marx, "Das Kapital" [Capital], Vol 1, Berlin, 1962, p 337.
4. "Report of the Central Committee...", op. cit., p 56.

#### Planning, Creativeness Compatible

East Berlin EINHEIT in German Vol 37 No 3, Mar 82 (signed to press 10 Feb 82)  
pp 268-270

['Creativeness and Initiative' feature article by Prof Dr Werner Gilde, engineer, director, GDR Central Institute for Welding Technology (ZIS): "Ideas Which Pay Off"]

[Text] What are the requirements concerning the planning, organization, control and final evaluation of research projects? What are the criteria that provide the manager and the researcher with

an objective picture of the course and completion of the research work? How important in this regard are the answers to simple questions such as: What did the researcher promise? Has he or she kept or exceeded the performance promise? Why does creativity call for a political attitude? Questions that are answered on the basis of the experience gained in the ZIS.

Most of the studies concerned with research organization cover the planning process. This is only natural, since the difficulties arising in the course of a research project are for the most part the result of shortcomings in regard to planning. The publications dealing with the control of the research work proper are much less numerous, and the studies dealing with research project completion are even fewer in number.

As a rule, it is assumed that the closing defense is the best basis of evaluation in regard to project soundness. The experience gained in the GDR Central Institute for Welding Technology (ZIS) confirms the importance of such a defense; in particular, it shows that the most important evidence in this defense is the comparison:

- What did the researcher promise at the research planning stage?
- Has he or she kept or exceeded the performance promise?

By asking these simple questions, one establishes an easily controllable interrelationship with the planning process, provided that the plan of the research project was sufficiently specific--a requirement derived from social responsibility and state regulations.

Occasionally, one reads the following statement in regard to completed research projects: "As far as the essential areas are concerned, the objective was attained." Such a final evaluation lacks the requisiteness strictness in regard to standards and it gives a misleading orientation. If an objective was attained only in certain key areas, the research project has not been accomplished--all the positive results notwithstanding. According to the view prevailing in our institute, a task can only be accomplished or not accomplished. If it was accomplished only in some areas--no matter how significant--one must say--without belittling the significance of the results produced--that it was not accomplished!

Some people hold that strict control is incompatible with risk-taking. According to their view, the stricter the final control, the less will the researcher be inclined to assume a great risk. Our experience shows that this is not the case. In our view, the risk involved in a given task must be reflected in the planning and in the formulation of the task. For example, if one wants to ascertain whether there are adhesives capable of bonding metals with oily surfaces without any preceding cleansing of these surfaces, one assumes only a very low risk, for the only thing to be demonstrated is that all available adhesives have been tested. However, if the researcher wants to develop an adhesive on a certain chemical basis--an adhesive capable of bonding metals with oily surfaces and distinguished by an adhesive power at least as great as that of the hitherto best adhesive for cleansed surfaces, he or she assumes an extraordinarily high risk. Incidentally, the latter consideration led to the ZIS 939 adhesive. Its inventor, Dipl. Ing. [Engineering Diplomate] Ruhsland of ZIS, received a high state award of honor.

In an article published in EINHEIT in 1978,<sup>1</sup> I demanded--and substantiated this demand through reference to a project essential for our housing construction sector--that in our research work standards and objectives be established. As a rule, standards can be numerically defined. The EINHEIT article contained the following passage: "So we can predict that from 1985 on it will be necessary to undertake large-scale repairs of the heating pipes in the apartments. Thus, by 1982 at the latest we must have developed welding processes permitting repair of heating pipes in apartments (target)! In these operations, wallpaper located at a distance of 10 centimeters from the pipe must not catch fire. As for the time required for the welding, 1.5 minutes represent a desirable target (two standards)."2

The first standard--a welding time of under 1.5 minutes--was attained by means of the MBL welding process. At present, we are capable of welding pipes such as are required in private housing in approximately 6 seconds. Even if the preparatory times are included, the time required was well within the limits of the target standard of 1.5 minutes.

In regard to fire protection, our standards were much higher than originally planned. At present, we are able to carry out welding operations--by any welding process--immediately beside a papered wall or any other flammable object. This target was attained by means of the heat-conductive ZIS 11-59 substance, the importance of which goes beyond the housing construction sector. So far, this substance has been tested in approximately 90 enterprises and it has helped to lower the fire risk in the enterprises.

It goes without saying that in the other socialist countries the tasks are similar. So it was all the more necessary to institute cooperative research in the CEMA countries. The Soviet Union and the GDR are concentrating on the welding of heating pipes. Our colleagues in Leningrad have been sharing their experience in regard to welding work at the work place, while we have been sharing our experience in regard to preassembly welding. These efforts have resulted in excellent complementation. In regard to heat-absorbing substances, the Kiev Paton Institute has carried out large-scale preparatory work. Our task in the ZIS has been to continue this work and to insure that the targets are met and exceeded on the basis of GDR raw materials.

The work in our institute is designed so as to make all staff members aware of the great responsibility they bear in our society and of the credit that society gives the researcher. This credit is of a moral nature, because the people have faith in the researcher, and at the same time it is of a material nature, because the researcher is entrusted with research funds. This trust obligates the researcher to establish clear objectives, to set high standards, to account for both the objectives and the standards, and--most importantly--to bring the results obtained in relation to the material and the financial input. It is the responsibility of the Party organization and of the state leadership jointly to insure that every researcher adheres to these demands.

Creativity and initiative are a reflection of a certain attitude: I want to improve the world to the best of my ability. /Creativity calls for a political attitude!/  
[passage in slantlines printed in italics] Our skills and talents--for the utilization of which our social conditions provide a lot of room and ever new

impulses--give rise to the opportunities for action that are accessible to each of us.

It is an indisputable fact that certain environments favor creative ideas. It is all the more necessary fully to utilize the opportunities provided by our social conditions and everywhere to establish such conditions. To be creative is essentially a personal world view and all of us have the means of fully developing such a world view. To be creative is a matter related to one's political outlook.

Occasionally, people say that the plan with its targets is incompatible with creativity. They use this as an excuse, if they do not come up with any ideas. All of the experience gained in the ZIS confirms that the plan and creativity are quite compatible; in fact, they are interdependent. For what good is a plan without creativity? One only needs to realize that the plan establishes the objectives of our work. The inventions we make are primarily oriented toward meeting the plan targets more rapidly, more efficiently and at lower cost. Is this invalidated by the fact that sometimes things are invented that do not fit into the plan? In my view, it is actually desirable to invent things that go beyond the plan. In my experience, all good ideas finally won recognition, even though this did not always happen as soon as would have been desirable.

In regard to the management of creative processes, one should bear in mind the following:

- The scope for improvements within one's own limits is quite large, if the available forms of organization are systematically utilized.
- Creativity and the readiness to take risks are personal attributes which should not be demanded of others, but which must be developed and exhibited by everyone.
- Our labor law, which guarantees work to everyone, does not justify a situation where an unimaginative engineer occupies a position that should be held by someone with good ideas.
- Success promotes success. Whoever wants developed something new will surely try to do it again and again.

"Invent what never existed." For years, this motto has been adorning the ZIS stairway. It is not only a request for action; it also establishes the standards of action. It is not merely a question of reaching the much-quoted international standard; rather, it is necessary to invent things that previously did not exist in the field of technology. Such inventions may be concerned with small matters. Whoever improves a minor aspect of an industrial product that is produced in large series creates great benefit. Naturally, the idea to invent something that never existed implies transgression of the limits of the hitherto conceivable; it means to effect the breakthrough of something new. Our ancestors did not have the desire to drive an automobile, nor did the welders of 1960 have the desire to set up a robot; but both the automobile and the robot emerged victorious, when as a result of the pertinent scientific findings and technical innovations these totally new products were born and when they made possible easier satisfaction of social needs.



To us, the touchstone in regard to all inventions is the question whether they are utilized in any way and what effect they produce. To be sure: At the moment of invention, one frequently does not know how this invention will be utilized. But even if an invention is not the "big breakthrough," nothing could be worse than to become discouraged. As banal as it may sound: Great hits are usually the result of great industriousness and hard thinking; as the intensity of the creative search increases, so does the probability of a breakthrough. Without creative drive and personal commitment, one cannot expect any great hits.

It is very much in keeping with the nature of our Marxist-Leninist world view that we approach every problem dialectically. Only in this way is it possible to invent something, but it goes without saying that great expertise and knowledge are required as well.

The GDR economy with its systematic development offers the best opportunities for innovators and inventors. It is the responsibility of the party organizations to demonstrate to the workers that in the field of technology, too, dialectical thinking produces results.

#### FOOTNOTES

1. Werner Gilde, "Creativity in the Research Process," EINHEIT, No 7/8, 1978, pp 756ff.
2. Ibid., p 757.

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SHORTCOMINGS IN INDUSTRIAL INVESTMENTS CRITICIZED

East Berlin EINHEIT in German Vol 37 No 4, Apr 82 (signed to press 15 Mar 82)  
pp 424-428

['Consultation' feature article by Prof Dr Georg Ebert, head, faculty for Political Economy of Socialism, and Dr Guenter Opel, senior assistant, faculty for Industrial Economics, Karl Marx Party College, SED Central Committee: "New Standards for Investment Policy." An East Berlin DIE WIRTSCHAFT article on this subject by Prof H.-J. Beyer and the official text of the third (amended) investment decree are both translated under the heading, "Changes in Use of Basic Assets, Investments Discussed," in JPRS 80171, 24 Feb 82, No 2235 of this series, pp 32-38]

[Text] Investment policy has also become subject to much higher demands from the need to reach the ambitious performance and efficiency objectives of the 1981-1985 Five-Year Plan, based on a stable and dynamic growth rate, which is to hold beyond those years as well. What matters now, after all, is to accomplish the planned growth rates in national income, commodity production and labor productivity by investments that must needs be greatly constrained. To get a maximum economic yield most expediently from every mark invested is a cardinal issue in our investment policy.

Wherever investments are placed, they must, in any event, be made highly effective, be it with the aim of enhanced refinement of raw materials, material and products, of using secondary raw materials more and more extensively, of speeding up branch development, so vitally important for the further acceleration of scientific-technical progress and strengthening our export capacity, or of improving working and living conditions, especially the housing conditions, of the working people.

Our party's economic strategy for the 1980's points the way to solving this task; we have to advance that way with determination. This requires, and sets the criteria for, an investment policy that is fully oriented to enforcing our intensively expanded reproduction that saves manpower and funds. While up to now investment activity resulted in making more basic production assets available to live labor and a somewhat slower rate in productivity boost of social labor, now it becomes imperative to increase labor productivity much faster than providing the working people with basic assets. "Ideas intent on bartering for each percentage of labor productivity increase by an equally fast or even faster growth in our investment effort run counter to economic efficiency."<sup>1</sup>

Investing in the materialization of the latest scientific-technical data based on the most advanced insights while concentrating on socialist rationalization is the main way to obtain a new quality for developments thus far and faster and better results from the requisite economic and social effects of the investments. It is imperative to make economically effective, in new dimensions, the available material and intellectual potential, created by society and increasing year after year, critically to boost the efficiency of investment activity itself and of the reproduction process as a whole, and gradually to improve further the working people's working conditions in the extant enterprises and enterprise departments.

On a priority basis, those modern products and technologies have to be put into production through investments which will, when they reach their production efficacy, determine or at least codetermine international standards, and through which it then becomes possible to improve the efficiency of entire economic areas and solve a number of important economic and social problems in their interdependence. "We need no investments that will conserve the level of the productive forces attained. Rather, investments have to pave the way to high productivity and efficiency in the future. That puts the emphasis on investment-induced technological advances which ensure the highest economy. This severe criterion applies to all our labor."<sup>2</sup> This means that the available means are to be invested particularly in the development and application of microelectronics and robot technology, and in enhanced refinement of raw materials, material and products, and in machine tool construction.

Experience has shown, e.g. in the use of industrial robots, that this process by no means proceeds without problems. There are some combines where the planned development, production and use of industrial robots are not sufficiently taken account of in the management, planning, preparation and implementation of the investments. Instead of seeking to obtain the performance and efficiency goals in accordance with state plan leads by means of allocated investments, they seek to make the introduction of robots dependent on "extra" investments.

For the use of industrial robots as for the most efficient linkage between science and technology and investment activity as such, we must therefore firmly connect the management and planning in the preparation and implementation of investments with R&D management and planning, so as to gain from the latest scientific-technical data a maximum growth in economic capacity. Gaged against the latest criteria, we are, with all our advances in this field, still only at the beginning. Even while we work out our requirements for the development and introduction of products and technologies, decisions have to be made on creating the material-technical preconditions for applying the results in production. No R&D task within the scope of applied research must be started unless the investments for implementing the results are ensured. All deliberations in working out targets and tasks, and prior to making investment decisions, must start with the intrinsic value parameters, price and cost limits, computed on the basis of world standard comparisons for any product or technology, the absolutely compelling time frame up to the products' reaching the market, and the concrete conditions of the reproduction process in the combine, enterprise and the economy. Furthermore, we must ensure, throughout the whole period the innovative process is going on, and especially when the requirement is confirmed or the basic decision is made on the investment project, that preparation and implementation are consistently based on the latest R&D data.

## Concentrating Investments on Rationalization

A basic condition for a penetrating improvement of investment efficiency lies in concentrating our means and capacities on socialist rationalization. Comrade Erich Honecker has said about it: "Efficient economic management at such a rate of development more and more depends on how well we use what we have got. This also sets the direction for our investment policy. It would be a mistake to place new and old technologies side by side. Much more favorable, it turns out, is to rationalize existing installations on the basis of advanced technology. This, to be sure, is not compatible with handling to so-called replacement quota routinely. Not that we wish to promote obsolete technology, yet often it does not take much to modernize such aggregates."<sup>3</sup>

Some of the reasons why our party attaches priority significance to enforcing this investment strategy are the following:

First: Scientific-technical progress increasingly leads to results which can any longer be used economically only if they are drawn into the reproduction of the extant material-technical base and thereby lead to efficiency and performance improvements of the machines and installations already in place in an enterprise. Such revolutionizing R&D results as microelectronics, microprocessors, industrial robots, electronic guidance systems and so forth are, as it were, the key by which it becomes possible, through the renovation, modernization and reconstruction of the available basic assets, to counter their moral wear and tear, confine, or even prevent entirely, the decline in productivity of older machines in comparison with newer ones, and to extend their working life by raising the productivity and efficiency level. This confirms Karl Marx' insight that the mass of embodied labor available, to the extent it is ever more fully being used, constitutes a potency of its own. The factors at work here, according to Marx, include the "economy resulting from the concentration of the means of production and their massive application,"<sup>4</sup> special improvements allowing the available machinery to work more economically, and the "economy through inventions."<sup>5</sup>

Scheduled maintenance, including general repair, becomes increasingly important for our modernization. This must not confine itself to restoring the original condition but must also aim at utilizing the latest R&D data for steadily improving the scientific-technical level and efficiency of the basic assets. The core problem, economically, lies in using simple reproduction more as a source for expanded reproduction.

Second: It takes less and less time to replace a product by a new or further developed one. It would economically not be acceptable or possible to carry out investments at the same tempo that would replace machines and installations we already have. This investment concentration on rationalization, modernization and reconstruction also aims at accelerating the reproduction cycle by reducing all its phases and ensuring smooth transitions among the various sectors, so as to present a new product on the market at the given time.

Third: Through rationalization investments, jobs can noticeably be cut back and labor can be released for other assignments in the combine and enterprise or in other economic fields. That is the main way to expand the 1981 advances in the metal working industry. This, in principle, alters the current trend of rather creating than saving jobs by means of investments.



Fourth: This priority investment in rationalization, modernization and reconstruction makes possible reducing specific investment efforts significantly. This is a fact already pointed out by Karl Marx, in "Das Kapital," with reference to Charles Babbage: "The guess is that building a single machine by a new design costs five times as much as reconstructing such a machine following the same design."<sup>6</sup>

GDR industrial enterprise experience demonstrates that investment efforts in modernizing or reconstructing are on the average less than half of what they are in a new design. Furthermore, the performance projected for such a project normally is accomplished more rapidly, after it is completed, than in the case of a new design, where it may take years to overcome initial complications.

Fifth: Along with the development of best effort-reducing construction-technological and construction solutions and their binding utilization, the construction proportion of investments at large, as anticipated in the 10th party congress resolutions, will decline decisively, above all on account of the maximum use made of extant construction. An analysis of industrial reconstruction projects carried out shows that through the reconstruction of old structures buildings and installation structures were made available which by and large are compatible in their intrinsic values with new structures yet cost only between 50 and 60 percent of what new structures would have cost.

The means and capacity concentration on socialist rationalization doubtless is more difficult than building a "new structure on the lawn." It is something that normally has to be done not only while production is going on but often even with output increasing and conditions becoming harder for all involved. It makes the highest demands on R&D personnel, project planners and designers, on the entire enterprise collective and on the construction and assembly collectives handling these tasks.

The great proportionate increase of rationalization investments with regard to overall investments also makes particularly high demands on an highly effective political-ideological work by the party organizations. Great attention must here be given to the working people's correct basic ideological position on carrying out rationalization investments and to forming their readiness to tackle the requirements and burdens resulting therefrom. How much we advance in this field, largely depends on their clarity, commitment and skill.

Advanced combines have provided the evidence for that it is possible to put scientific-technical top achievements more rapidly into production by way of socialist rationalization, whereby to gain a greater economic benefit than through new investments. This also refutes the view encountered sometimes that a successful and effective implementation of scientific-technical progress of necessity calls for new investments.

#### Modernization Through New Technologies

With the increasing concentration of scientific-technical work and investment activity on socialist rationalization and the concomitant renovation and higher development of our extant material-technical production base, special importance attaches to the introduction of new technologies that have much to do with the further development and renewal of working tools. Our party program comments as follows on the importance of technology: "Scientific-technical progress reaches production

viability and efficacy through technology and its effective level. Therefore, greater attention is required for technology as a science. It largely depends on the performance level of technology to save and facilitate human labor and make it still more productive and interesting."<sup>7</sup> That remark doubtless applies generally to combining scientific-technical work with investment activity; in particular, however, it also applies to socialist rationalization and the modernization and reconstruction of machines, equipment and structures that are connected with it. For improving their effectiveness and efficiency, advances in the technological field are of crucial importance. They are decisive for the design and functioning of the working tools as for the ways and means of linking the working tools with the substance of labor and the labor force under the conditions of a concrete, extant reproduction process which is intended to be improved. In this, there objectively grows the responsibility the users have for constantly improving efficiency. It is especially important for them to work out a sound standpoint of their own about the requisite economy and the schedules on changing the working people's working conditions.

In close liaison with those who undertake the investments, it is up to the users to insist that the new products or technologies are produced and become production-effective with the economically and socially most beneficial parameters and at the right time (from the vantage point of their economically most favorable appearance on the market). This makes it possible to make higher demands on those who handle the investment tasks, challenging them to perform on a higher level, both with regard to the technical and technological parameters and to meeting strenuous deadlines.

Another aspect that argues for strengthening technological R&D among the users lies in boosting industrial robot construction on one's own and other enterprise and branch-specific means of rationalization, as well as carrying out more strongly necessary construction measures with one's own capacities. Experience has demonstrated this is a basic way to effectively boost productivity and efficiency; for this involves, after all, usually "tailor-made" up-to-date and most productive equipment that reaches production effectiveness fast. Already, in not a few combines, self-produced means of rationalization are used for applying R&D data at a scope that amounts up to 50 percent of the combine's total investments. This trend is going to increase considerably, if the tasks assigned on the broad application of micro-electronics and industrial robots is to be solved with success by 1985.

Higher demands, however, also are to be made in this connection on the machines and equipment of the industry that produces the means of production. They must be designed and produced in a much more reconstruction-related manner, which means, it must be possible to integrate them without any larger modifications with extant installations, technological processes, structures and enterprises, whereby they will contribute to genuine rationalization among the users.

Naturally, even in the years ahead it will be necessary systematically to carry out new construction and expansion investments for applying what are in principle new R&D data. That includes, above all, extraction, treatment and processing projects for new raw materia, fuel and energy sources. In any event, precise evidence has to be provided showing

--that the project in question is economically absolutely necessary,

--that all possibilities were exhausted to reach the objective through rationalization (even exceeding combine boundaries),  
--that the yardsticks for highest efficiency are complied with, and  
--that the project can be carried out within the scope of available funds, without infringing rationalization and extension projects.

It is of the greatest importance to rapidly boosting efficiency and productivity that investment projects are accomplished at briefer time frames. That simply still takes much too long in our economy--gaged against international standards and the tempo of scientific-technical progress. Time frames for construction must be reduced to the social standard of two years; and to less than that for projects below M 20 million.

For one thing, the time factor more and more controls the cost/benefit ratio. The faster R&D data are applied in production by means of investments, the larger by comparison, using equal funds elsewhere, is the economic, and hence the social, benefit for society. Secondly, brief turn-over periods guarantee that part of the national income that is invested in the renovation, modernization and expansion of the material-technical base of production and temporarily withdrawn from the economic cycle to be kept on a relatively low level without losing any of its rapid economic efficacy. Third, shortened construction time frames enable the building and assembly enterprises to use their capacities in a concentrated fashion, which leads to great efficiency and productivity in building and assembly processes. It counteracts that uneconomical splintering of capacities into a great number of simultaneous production projects.

Important prerequisites for a concentrated and rapid implementation of investment projects were established already in its previous preparation phases. The main attention must be given to much more thorough preparation on behalf of reducing the overall implementation time frame for investments.

Great reserves for reducing those time frames but also for basic improvements in investment efficiency can be tapped by comradely cooperation, as early in the game as possible, between those who give the orders and the construction project planners, between the technologists and the planning and accounting organs. That applies in particular to preparing rationalization investments. The whole point is, after all, to work out in every given case the most efficient alternative for ensuring the planned performance and efficiency improvement through a thorough analysis of the growing construction substance from the vantage point of its maximum reuse, through basic assets considerations and a precise coordination of construction measures, with but the slightest inroads made on production in process. Wishing to raise altogether the investments' management and planning level, in accordance with our party resolutions, we must then also resolutely set down an economically sound rank and sequence and a crucial reduction in the number of new projects, a more skillful construction and equipment balancing, and a better attitude by the building industry toward the requirements for a priority renovation, modernization and reconstruction of the material-technical production base.

"Rigorous plan implementation, an objective analysis reaching clear conclusions, a precise accounting for what has been achieved, generalizing the best experiences, and fully exercising personal responsibility are important management principles.

That applies to the ministers, the general directors, the plant chiefs, the bezirk and kreis council chairmen and all others charged with responsibilities in investment activities."<sup>8</sup>

This is an important prerequisite for still more effectively directing the working people directly involved in investment activities at completing their projects, proper as to deadlines, qualities, contracts or ahead of deadline, staying below their authorized allocations and complying with confirmed technical-economic parameters, and boosting labor productivity through higher efforts of their own and through reducing production consumptions and costs.

#### FOOTNOTES

1. Guenter Mittag, "Full Speed Ahead Toward the 10th Party Congress," NEUES DEUTSCHLAND, 4 December 1981, p 6.
2. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den X. Parteitag der SED" (SED Central Committee Report to the 10th SED Congress), Dietz publishing house, Berlin, 1981, p 57.
3. Comrade Erich Honecker, "Aus dem Bericht des Politburos an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Plenum), Dietz publishing house, Berlin, 1981, p 36.
4. Karl Marx, "Das Kapital," Vol III, Marx/Engels, "Werke" (Works), Vol 25, Dietz publishing house, Berlin, 1964, p 89.
5. Ibid., p 113.
6. Karl Marx, "Das Kapital," Vol I, Marx/Engels, "Werke," Vol 23, Dietz publishing house, Berlin, 1962, p 427, footnote 147.
7. "Programm der Sozialistischen Einheitspartei Deutschlands," Dietz publishing house, Berlin, 1976, p 46.
8. "Joint Resolution by the SED Central Committee Politburo and the Council of Ministers of the GDR, 'On Improving the Efficiency of Investments for Further Strengthening the GDR's Economic efficiency,'" NEUES DEUTSCHLAND, 10/11 November 1979, p p.

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RELAXING OF STATE ECONOMIC CONTROLS SEEN AS THREAT TO SOCIALISM

Danger of Anarchistic Elements

Potsdam-Babelsberg STAAT UND RECHT in German Vol 31 No 3, Mar 82 (signed to press 21 Jan 82) pp 195-206

[Article by Prof Dr Gerhard Schuessler, rector, GDR Academy of Political Science and Jurisprudence; chairman, Council for Political Science and Jurisprudence Research, GDR Academy of Sciences: "Economic Strategy and Socialist State." A translation of the article by Siegfried Petzold cited in footnote 1 is published following this article]

[Text] The 10th SED Party Congress provides many impulses to the work in political science and jurisprudence and stimulates the rethinking of fundamental theoretical problems in this field, as well as the deepening of scientific assertions made to date. This is made clear by the scientific publications on important problems of political science and jurisprudence that have been published in preparation and evaluation of the party congress.<sup>1</sup> However, their study also makes evident that the creative treatment of the theoretical problems regarding the development of the state and law in realization of the decisions of the party congress is only in the beginning. It is all the more urgent, proceeding from the fundamental strategic lines for the 1980's, to pursue the elaboration of the theory regarding the developed socialist society, especially from the point of view of the process of its further formation, with still greater intensity also from the standpoint of political science and jurisprudence.

The political science aspects resulting from the economic strategy of the SED, as decided by the 10th Party Congress, with respect to the further development of the socialist state and the perfection of the state management and planning, occupy an important place in this. In all stages of the socialist revolution, the economic policy of the SED has shaped the tasks and functions of the socialist state to an exceptional degree, and the main lines of economic strategy have fundamentally determined the content and the forms of the control activity of the state both during the construction of the foundations of socialism and during the transition to the formation of the developed socialist society. Viewed from a historical perspective, an incessant process of the unfolding of the creative role of the socialist state has taken place as a result of the scientifically-based economic policy of the SED and its economic role has been continually enlarged, the socialist state as the chief instrument becoming active in an increasingly comprehensive

fashion in regard to the planned development of the social forces of production. This process is continuing with the 10th Party Congress. Moreover, it is an exceedingly significant further development of the economic policy of the SED which is finding expression in the economic strategy. It embodies the high scientific nature of the policy of the SED and its ability to show a reliable way to the working class and its allies for the further formation of the developed socialist society.

The economic strategy originated in outcome of a precise analysis of the development in the interior of the GDR, as well as the conditions and developmental tendencies in the field of foreign policy and foreign trade. It is the result of the scientific cognition of the requirements of the objective laws of socialism in the further formation of the developed socialist society and the precise assessment of the concrete conditions and circumstances under which the objective laws of socialism are realized in the present and the future. The economic strategy is based on the creative work of the people and its results since the 8th and 9th SED Party Congresses. It is based on the developed work capacity of the workers of the GDR, who under the leadership of the Marxist-Leninist party are promoting the socialist intensification step by step. The points of reference of the economic strategy to the socialist state and vice versa are manifold.

The economic strategy of the SED can only prosper in the soil of the socialist state. It is the expression of the fact that the politically, economically and ideologically ruling class of workers, in alliance with the class of cooperative farmers, the socialist intelligentsia and other workers, under the leadership of the Marxist-Leninist party, is in the position to guarantee--even under the increasingly complicated foreign policy and foreign trade conditions--the economic development on a scientific basis in accordance with the plan and for the benefit of the people, and to realize the objectively matured requirements of socialist intensification by means of state control and planning. The political power of the working class forms the decisive prerequisite for the elaboration and execution of the economic policy of the SED. With its assistance, both the objective conditions and the subjective prerequisites were created for the fact that the 10th Party Congress could decide on the economic strategy of the 1980's as the decisive task of economic policy. The political power of the working class brought forth and organized precisely those social conditions which made it possible to combine the tasks of the scientific-technical revolution with the merits of socialism and to develop and promote incessantly the creative forces of the people through the intelligent utilization of the advantages of socialism and the unfolding of its motivating forces for a constant increase in the output of the national economy.

Through its class character and its historic role, the political power of the working class implies the decisive conditions for the elaboration and execution of the economic strategy. Thus the economic strategy possesses its scientific foundation and the certainty of its realization in the leading role of the SED as the ruling party in the socialist state. The economic strategy is the guidance of the entire society through the SED in creative application of the knowledge of the social and natural sciences, as well as the manifold rich experiences which have been gathered in the course of the fulfillment of the goals of economic policy since the 8th and the 9th Party Congresses. The economic strategy is oriented towards the general political goal structure, as it is anchored in the Program of the SED and in the GDR Constitution.

The realization of the economic strategy is the fundamental task of the 1980's in order to make possible the consistent realization of the main task in its unity of economic and social policy in the future as well. The economic strategy forms the core of the overall social strategy of the SED regarding the further formation of the developed socialist society and thus the creation of the fundamental prerequisites for the later gradual transition to communism. To a decisive extent, therefore, it shapes the content of state policy and, as Erich Honecker, general secretary of the SED, emphasized at the 3rd Session of the Central Committee, has priority in the work of the state.<sup>2</sup>

The content of the five-year-plan for the development of the national economy of the GDR during 1981-1985, as well as of the national economic plan for 1982, clearly reflect the consequences which result from the economic strategy. The chairman of the Council of Ministers, Willi Stoph, in his speech before the People's Chamber in justification of these laws, called the ten crucial points of the economic strategy the criterion of action. He set forth in his explanations how the requirements, which result from the ten crucial points of the economic strategy, were defined as legally-binding tasks.<sup>3</sup> In so doing the concrete realization of the economic strategy was raised to the will of the highest elected organ of power and received legal status. This significant constitutional process is an expression of the fact that the socialist state, both from the aspect of legislation and from the aspect of its entire practical activity, is the chief instrument for the realization of the economic strategy. This is the point of connection for the further definition of the organizational function of the socialist state along the line of the economic strategy, as well as its other functions.

With its uniform system of control of the state and the economy and its comprehensive functional capacity, the socialist state guarantees the realization of the economic strategy in accordance with the plan. This may entail the repetition of known facts for the reader, but in view of the contemporary situation in the imperialist countries, as well as the most diverse revisionist conceptions of the state, which attempt to distort the role of the socialist state, it is an opportune concern to demonstrate anew and to emphasize strongly that only the socialist state power under the leadership of the Marxist-Leninist party can guarantee an economic strategy that is oriented towards the prosperity of the people, which guarantees the right to work and jobs for everyone, as well as a secure social future for all citizens.

Experience in the imperialist countries shows that the political regimes of these countries are not in the position to prevent crises, unemployment, social insecurity, etc. All prognoses even talk about a further sharpening of the social contradictions, the aggravation of crises and socio-economic ailments. The much-praised modern imperialist industrial state cannot solve these problems because it is an organ of monopolies which themselves are the cause of the present situation in the imperialist countries. It itself has become the instrument of merciless imperialist rationalization. It serves the carrying-through of a one-sided economic policy directed against the interests of the broadest working masses and in a number of imperialist states has become the direct executive organ of the military-industrial complexes. The demands, forecasts, promises, etc., which can still be frequently found in the Western publication organs, that the state shall, or will, introduce measures against the constantly growing burdens of the working masses, too, did not lead to any visible results. In today's ideological struggle, it is, therefore, of

the utmost importance to recognize the fundamentally different functions of the modern socialist industrial state and the imperialist industrial state with respect to the realization of economic policy, in particular regarding the completely different class content and the social goals of this economic policy.

The significant role of the socialist state power for economic and scientific-technical development, however, must also be contrasted above all to those conceptions which seek to banish the state from the sphere of the economy, as well as science and technology. Those ideologists who advocate the elimination of the socialist planned economy and the principles of democratic centralism and assign to the state merely the role of a referee or night-watchman basically want to eliminate the decisive conditions under which a continuous economic policy with constant increases in output in the interest of the people is possible. An economic policy under socialism without political content and without political purposes, without political and state guidance, without a uniform central state plan, without regard for and preservation of the principles of democratic centralism, must sooner or later produce spontaneous-anarchistic elements and fall into contradiction to the objective requirements of socialism deriving from theoretical principles.

The requirements of state control and planning established by Marxist-Leninist science--this is demonstrated by the development of socialism in all socialist countries--are of an objective nature. From the first days of the socialist revolution to the present, history has confirmed that the socialist economic order develops in accordance with the plan only when the proved principles of state control and planning are realized under the leadership of the Marxist-Leninist party in a consistent manner.

Precisely the transition to intensively expanded reproduction in the process of the formation of the developed socialist society stipulates, to a by far greater degree than in all preceding periods of socialist construction, state control and planning of the national economy, a high degree of democratic centralism, a precisely organized economic mechanism, and a scientifically-based planning system. Every dismantling of the central state power, as well as the softening of the state control instruments, in particular of central planning, are basically aimed at depriving the advantages of socialism of the firm ground of their effectiveness, liquidating the scientifically-proved control and thus giving up the class-oriented economic policy.

As was already emphasized elsewhere, the central significance of the economic strategy inevitably results in the necessity of the concrete expression of the economic and organizational function with a view to the ten crucial points of the economic strategy. The cultural-educational function of the socialist state, too, during the 1980's is directed towards the ever stronger orientation of the education and spiritual profile of the members of the socialist society, in particular also of the coming generations, on the basis of the requirements of the economic development of the present and the future. The protective functions of the socialist state have likewise contributed maximally to the safeguarding of the carrying-through of the economic strategy in a manner as free from interference as possible and to letting its results become fully effective for the interests of the people and the further consolidation of the power of workers and farmers. Of course, this



does not involve in any way reductions in other significant social tasks. Just as the economic strategy of the SED is the core and an inseparable component of the general social strategy, so, too, its realization can only be guaranteed if the development of the socialist society in all fields and in all spheres progresses in accordance with the decisions of the 10th Party Congress. The higher the degree of security and order and the preservation of socialist legality in general is and the more members of the socialist society consciously realize the laws and legal regulations of the workers' and farmers' state and stand up consistently for their observance, the more smoothly and more efficiently the national economic processes are effected.

As far as the economic and organizational function of the socialist state is concerned, it encompasses, as is well known, both a fundamental direction of the activity of the socialist state in its entirety and the fundamental direction of the activity of its organs on the various levels. The further expression of this function, therefore, refers to the socialist state as a whole just as to the different control levels. The evidently most important aspect of this expression consists in the fact that the ten crucial points of the economic strategy move into the center of state control and planning and thus the socialist state pre-eminently becomes the instrument for linking the achievements of the scientific-technical revolution with the advantages of socialism. Erich Honecker stated at the 10th SED Party Congress: "Now the possibilities of the scientific-technical revolution have directly become the chief reserve of the growth of output and efficiency of our national economy. The main point is to exhaust it fully and to gain a maximal increase in economic power from the latest scientific findings."<sup>4</sup> In this context he emphasized that "the development of the GDR as a modern socialist industrial state is stamped by this qualitative process of scientific-technical progress."<sup>5</sup>

From all of this it follows that the tasks and problems connected with the scientific-technical development are moving increasingly vigorously into the main arena of the exercise of state power and thus of state control and planning. Here the object is neither to make the state organs into scientific research institutions nor merely to expand the special departments which up to now, too, have been engaged in science and technology. Rather the position of science and technology in general increases in the total exercise of political power and the problems of scientific-technical development acquire greater significance for the activity of the People's Chamber of the GDR, the GDR Council of Ministers and other central organs, as well as the local representations of the people, their councils and specialized organs. The total political strength of the socialist state, in collaboration with the social organizations under the leadership of the SED, serves ever more vigorously to unfold constantly more effectively the material and spiritual powers of the socialist society for the highest results in the development and realization of science and technology for the benefit of the people. The socialist state is objectively faced with the task of solving increasingly more complicated tasks jointly with the workers for the realization of the intensively expanded national economic reproduction process. Characteristic for this are the processes of the uninterrupted expansion of the modern socialist economic organization taking place under the leadership of the SED and the formation of a system of state guidance, planning, financing, as well as of clearing and control appropriate to this modern socialist economic organization. This involves significant processes in the work of the state organs which concern the content and also the forms of this activity.

The study of the five-year-plan for the development of the national economy during 1981-1985 provides an insight into the problems of scientific-technical development and the qualitative national economic processes connected with it with which the Planning Commission, the Council of Ministers and the GDR People's Chamber must deal. The work of the committees of the People's Chamber in preparation of this five-year-plan makes clear that the deputies of the highest representation of the people take part with a high degree of intensity and a great deal of knowledge in the deliberation of such significant problems as presented by the development of science and technology, for example, in the field of microelectronics, robot technology, etc. Core questions of the scientific-technical revolution and its connection with the advantages of the socialist social order have simultaneously become the most important subject of the responsible deliberation in collective-leading organs like the Council of Ministers and the People's Chamber, among others. In so doing, the fact stands out with increasing prominence that the central organs of the party and the state proceed from the findings of social science as well as those of the natural sciences and the developmental tendencies of technology in order to formulate the general social goals in a scientifically precise manner and to elaborate the necessary strategic measures. An increasingly closer cooperation of the state organs with scientific institutes comes into being, as well as a constantly more thorough comprehension of everything that results from the experiences of the workers in the realization of the scientific-technical tasks for the direction.

Bourgeois scholars studying the state and jurisprudence, sociologists and political scientists have for a number of years intensively studied the problems of the scientific-technical revolution and come to the most diverse conclusions which are diametrically opposite to the consequences of scientific-technical development under socialism with respect to the state. Especially the representatives of technocratic conceptions of the state assert that the scientific-technical revolution must lead to the rule of technocracy and attempt to prove that bourgeois parliamentarism and bourgeois democracy in general are obsolete under the scientific-technical conditions of today. They also draw analogies to the socialist state system. They take the view that socialism, too, will necessarily end in a technocratic line of development of the state. They substantiate their assertions with the argument that the parliamentarians have no professional expertise. Technical specialists, they say, will increasingly obtain "the say" and thus the main influence in the state. No one else, it is argued, can have an overview of the problems of scientific-technical development and its consequences.

As far as the prognoses of the representatives of the technocratic conceptions of the state are concerned, it seems, that is wistful thinking. In spite of all their theories, the dreamed-of technocratic, politically-free state has nowhere come into existence in the Western imperialist countries as yet. Whether in the United States, England or the Federal Republic of Germany, there is politicking everywhere. As the present shows, this political activity aims at the misuse of science and technology, serves to increase the level of armaments, the uninterrupted scientific-technical perfection of means of mass destruction and is an instrument of the struggle against socialism. Under socialist conditions, science and technology endow the state with more power for its internal and external sphere of action. They make it possible to realize the unity of economic and social policy in a still more effective way in the interest of the people and create significant material prerequisites for the peaceful foreign policy of the socialist state.

The economic strategy is a deeply scientifically-based strategic complex program. Its realization, therefore, must take place throughout on a high scientific level. The requirements are increasing with regard to the further deepening of the scientific character of the direction of the state and the expansion of those methods of direction which correspond to the dynamic of the scientific-technical process and secure the complexity in the direction. In this we see that the socialist state as form of the dictatorship of the proletariat embodies the modern socialist industrial state to an ever greater extent. If one bears in mind that--as Erich Honecker emphasized at the 3rd Session--only the beginning has been made to shape the economy of the GDR in accordance with the requirements of the 1980's,<sup>6</sup> it becomes clear that the socialist state of the GDR will continue to develop during the next few years especially in this direction to a significant degree. Its material-technical base marked increasingly by modern, highly-developed productive forces. The working class, as the determining force in the socialist state, is very closely connected with the highly-developed production instruments, is in possession of high qualifications and masters the tasks of the scientific-technical revolution together with the scientific-technical intelligentsia. The class of cooperative farmers, which is allied with the working class, is at present already applying industrial-type methods on a large scale in agricultural production and is mastering modern agricultural technology. A growing interweaving of industry and agriculture is taking place.

The advantages of the modern socialist industrial state are becoming increasingly prominent. They express themselves in the ability of the socialist state to shape the transition to the intensively expanded reproduction according to plan, to guarantee a high degree of continuity and stability in the development of the national economy even under increasingly complex conditions of foreign trade, to develop the national economy in accordance with the socio-political goals, to orient them ever more fully towards the satisfaction of the material and cultural needs of people, as well as to solve with increasing success the tasks of the scientific-technical revolution, making use of the advantages of socialism. The socialist state, in alliance with the socialist fraternal states, is bringing about the realization of socialist economic integration according to plan and through the growth of its economic power is exerting an ever greater influence on the development of such world economic relations which are of mutual advantage, serve peaceful coexistence, and contribute to the support of the young national states with a socialist orientation in the building up of their own national economy.

The economic strategy also leads on the most diverse levels to the further expression of the economic-organizational function. In so doing various closely-connected components are operative which in their totality represent requirements of the economic strategy. In my view, they consist in the following:

a) The modern socialist economic organization must be consistently carried out in order to develop combines with a large output capacity, which observe their total social responsibility for the realization of the economic strategy of the SED in the execution of the Five-Year-Plan 1981-1985. The central state direction and planning, the entire system of state control instruments, as well as the support of the combines by the local organs of state power, must be aimed at this goal. The administrative relations between the centrally-guided combines and the councils of the bezirks are to be adapted to the new requirements of the economic organization.

Democratic centralism was never a principle in itself. It always served the realization of state direction and planning, which has the maximum efficiency of social labor as its goal. Its principles are objective requisites to the guarantee of a scientific direction which serves the preservation of the uniform will, the increasingly strong unfolding of the creative power and initiative of the workers and uniform discipline, proceeding from the leadership by the Marxist-Leninist party and the unity of party, state, and people.

The greater the economic potential is and the more qualified the organizational forms of the direction of the reproduction processes, the more strongly the demands on the central state direction also develop. This applies to the basic decisions in regard to the guarantee of full agreement of the economic activity of the combines and enterprises with the fundamental direction of the national economy, which are necessary in order to attain--in accordance with the economic strategy--a constantly better proportion between the expenditure of basic assets, raw materials and materials, living labor and the result--the national income.<sup>7</sup> This also concerns the development of the total system of planning and economic stimulation, as well as accounting and control. The measures that have been adopted in this field since the 10th SED Party Congress, which inter alia resulted in using the combines as the basis for the plans, have as their goal--taking the responsibility of the combines as the point of departure--the consistent realization of their role in the national economy on the basis of the goal structure elaborated by the party. The experience of the control activity of the central state organs makes clear that the realization of the economic strategy makes the highest demands, above all, of the direction of science itself, the direction of the transfer of scientific discoveries into production, the attainment of top results in production, and the mastery of all qualitative processes connected with this.

b) The further development of the activity of the central organs also has objective causes in the growing significance of foreign trade relations. Thus the demands on the state direction rise in connection with the socialist economic integration. Although numerous measures were set down in order to expand the relations between the economic units, the expansion of the activity of the central organs regarding the solution of the tasks of socialist economic integration has by no means become unnecessary. On the contrary, with the growing role of scientific-technical development throughout the entire CEMA-domain, with the complicated problems of securing the raw materials supply on a long-term basis and the solution of the tasks in the realm of energy economics, there is an intensification of the demands on the central state direction. This is true especially of the cooperation with the allied communist parties of the socialist fraternal countries and their governments in the elaboration of the joint strategies, as well as the necessary adjustments and coordinations.

At the same time there is also an increase in the demands on the central state organs in connection with the strategic and tactical tasks concerning the safeguarding of the interests of the GDR in the economic relations with capitalist countries.

c) The local organs of state power play an important part in the realization of the economic strategy. Their responsibility is differentiated, depending on the level of administration. This was once again emphasized at the session of the GDR State



Council of 23 November 1981, at which the chairman of the council of the Halle Bezirk explained experiences from the work of the district assembly [Bezirkstag]. Here special emphasis was given to the fact that in the work of the deputies of the district assembly and its organs, too, the economic strategy has priority.

In general, the local organs of state power have to make a significant contribution to the consistent realization of the economic strategy with their specific means and in accordance with the concrete tasks in the territory. This is true, above all, of the support which they give to the centrally-directed combines in order to further expand their output capacity. At the same time, the local state organs bear full responsibility for the development and increase of the output capacity of the bezirk-directed economy and the most diverse economic institutions subordinated to the local organs. Proceeding from the fact that the socialist rationalization is an inseparable component of the economic strategy, the local organs, in cooperation with the different economic institutions and among each other, have the task of forcing the territorial rationalization to a significant extent. Indicative of the direction in this regard are the examples of transportation coordination and optimization, the measures taken by local organs to convert from heating oil to the use of brown coal and to bring about the concentrated execution of the investments. The local organs of state power must at the same time ensure that the measures of territorial rationalization and the increase in output of their own economic domains, as well as the support of the centrally-directed combines, are directly connected with the further development of the living, housing and supply conditions. They bear an increasing responsibility for the fact that the unity of economic and social policy becomes concretely and fully effective in every territory and thus constantly new motive powers unfold for the carrying-through of the general policy of the SED.

#### FOOTNOTES

1. Compare, inter alia, the following contributions published in STAAT UND RECHT in 1981: K. Sorgenicht, "Penetrate More Deeply Into the Decisions of the 10th SED Party Congress for the Further Strengthening of the Socialist State Power," pp 674 ff.; G. Schuessler, "The State Conception of the SED Program--Reality of Our Statehood," pp 194 ff.; W. Weichelt, "On the Realization of the General Social Interests Through the Political Organization of Socialism," pp 290 ff.; W. Gramann/R. Stueber, "State and Trade Unions Under Socialism," pp 307 ff.; S. Petzold, "Some Tasks of the Science of State Law for the Improvement of State Management and Planning After the 10th SED Congress," pp 170 ff. [sic--pp 770 ff.]; R. Hieblinger/E. Poppe, "Tasks of Research Into the Rights of Citizens After the 26th CPSU Congress and After the 10th SED Congress," pp 878 ff.; O. Schroeder, "To Consolidate the Unity of Party, State and People. On State Publicity Work After the 10th SED Congress," pp 962 ff.; F. Kunz, "Tenth SED Congress, Economic Strategy and the Science of Labor Law," pp 770 ff.
2. Cf. "From the Report of the Politbureau to the 3rd Session of the SED Central Committee. Reporter: Comrade Erich Honecker," Berlin, 1981, p 51.
3. Cf. "With the New Plan Goals Our State of Workers and Farmers Will Be Further Strengthened. Speech of the Chairman of the GDR Council of Ministers, Willi Stoph, for the Justification of the Law on the Five-Year-Plan for the Develop-

ment of the National Economy 1981-1985 and on the National Economic Plan 1982," N[EUER] D[EUSSHILAND], 4 Dec 1981, pp 3 ff.

4. "Report of the Central Committee of the Socialist Unity Party of Germany to the 10th SED Congress. Reporter: Comrade Erich Honecker," Berlin, 1981, pp 49 ff.;
5. Ibid., p 50.
6. Cf. "From the Report of the Politbureau to the 3rd Session of the SED Central Committee," Ibid., p. 24.
7. Cf. "Report of the SED Central Committee to the 10th Party Congress. . ." p 55.

#### Strengthening of Democratic Centralism

Potsdam-Babelsberg STAAT UND RECHT in German Vol 30 No 9, Sep 81 (signed to press 30 Jul 81) pp 770-781

[Article by Prof Dr Siegfried Petzold, GDR Academy of Political Science and Jurisprudence: "Some Tasks of the Science of State Law for the Improvement of State Management and Planning After the 10th SED Congress"]

[Text] In the strategy elaborated and decided by the 10th SED Congress with regard to the further formation of the developed socialist society in the GDR and the safeguarding of the peace, questions of the socialist state and law, socialist democracy and the further increase of the effectiveness of state direction occupy a dominant place. The necessity is emphasized to strengthen in every respect the socialist state power as a form of dictatorship of the proletariat which represents the interests of the entire people and guarantees freedom and human rights, to unfold socialist democracy as the main direction of the further development of socialist state power, to perfect the state direction and planning, above all, of the national economy, to consolidate the relationship of trust between state organs and citizens constantly, and to carry through a scientifically-based, grass-roots-oriented and practical, rational style of work on all administrative levels. This logically also gives rise to new tasks for the science of state law which must be solved in close cooperation with the other disciplines of political science and jurisprudence, the economic sciences, as well as in direct connection with the practice of the state.

The question for the socialist science of state law is to a particular degree to continue to make its principal point of departure and general guideline the Marxist-Leninist understanding, lifted up in all clarity by the 10th SED Congress, that the question of power is and remains the vital question for the further formation of the developed socialist society and for the successful continuation of the socialist revolution. As Erich Honecker declared at the 2nd Session of the SED Central Committee, the 10th Party Congress has drawn the conclusion from a thorough analysis of the national and international situation of the GDR "that it is necessary to strengthen the socialist state during the 1980's in every conceivable way as the expression of the political power of the working class, which is allied with all other working strata."<sup>1</sup> Thus it becomes clear that in the new period of the con-

struction of the socialist society, too, it is necessary to continue to consolidate the socialist state in every conceivable way and in no way to tolerate a weakening of the political rule of the working class and its allies, a reduction of the state power which is organized in accordance with the principle of democratic centralism. The fact is finding confirmation that the constant and all-round strengthening of the socialist state power is among those fundamental regularities which lie at the basis of the developed socialist society.

The securing and consolidation of the political power of the working class is no partial or only occasional task, but a universal and complex process, which is rooted in the development of socialist society itself and encompasses politics, economics, and ideology in like manner. In this the SED consistently follows the Leninist realization that the strength of the socialist state depends, first of all, on the state of consciousness of the masses and the relationship of trust between the state organs and the citizens. "It is strong when the masses know everything, can make judgments about everything and do everything consciously."<sup>2</sup> In the further definition of the class-like content of the socialist state power, the inseparable connection with the working class and the other classes and strata of the people under the leadership of the Marxist-Leninist party also lies the strength of our state.

In today's stage of development the all-round strengthening of the socialist state is linked in the closest possible way with the increase in the economic output capacity of the national economy, the consistent carrying-through of scientific-technical progress, and the utilization of the advantages of the socialist planned economy. Stable political power relationships are the secure foundation for the successful realization of the economic strategy of the 1980's, for the continuation of the policy of the main task in its unity of economic and social policy. The consistent carrying-through of this policy, which is aimed at the welfare of the people, is ever more emphatically proving to be a decisive factor in the further consolidation of the power of the people, in the great confidence of the people in the policy of the party and the socialist state. In view of the continuing military threats to the GDR and the other countries of the socialist community through the aggressive imperialist powers, especially those allied in NATO, the all-round strengthening of the socialist state power includes at the same time the necessary measures which guarantee the security and the reliable protection of socialist construction.

The science of state law is faced with the task of turning to the concrete requisites which result from the all-round strengthening of the socialist state power in order to contribute to the shaping--from the standpoint of state law--of the ideological-educational and consciousness-forming activity of the state organs, as well as the growing economic role of the socialist state under the new dimensions of the scientific-technical revolution. In the work of the science of state law the question is to show the consequences resulting from the economic strategy of the 1980's, which is summarized in the ten crucial points, for the perfection of the organization and activity of the state organs, for the increase of the civic responsibilities of the workers and the observance of their far-reaching rights and duties, as well as for the carrying-through of a scientifically-based, grass-roots-oriented and practical, rational style of work of the state organs.

This concerns, first of all, those demands which result from the consistent transition to intensively expanded reproduction for a higher quality and effectiveness of state work, for the further qualification of the complex and coordinating activity of the state organs, for a close interweaving of branch and territorial administration, for the strengthening of state control and the application of methods of direction which are in principle new.

The process of the further expansion of socialist statehood is taking place on the basis of the Program of the SED and in accordance with the socialist Constitution of the GDR of 7 October 1974. It is, therefore, an important concern of the science of state law to elaborate more comprehensively the function of the socialist constitution as instrument for the guidance and organization of the socialist society, for its inner, firmly-joined political and state stability, and to demonstrate how the principles and norms of the constitution are realized through the conscious and creative acting of the workers and how the citizens themselves ever more strongly identify with the socialist constitution.

The 10th Party Congress confirmed the statement in the Program of the SED that the further unfolding and perfection of socialist democracy is the main direction in which the socialist state power is developing.<sup>3</sup> Guided and inspired by the Marxist-Leninist party, the SED, a far-reaching and manifold net of state and non-state forms of socialist democracy was created and constantly expanded, which makes possible the broad participation of all social forces, work collectives, and citizens in the direction of the state and the economy, as well as in the regulation of all other social affairs. The workers perceive their civic responsibility with increasing consciousness and make use of their democratic rights. Socialist democracy has, above all, led to the setting free of the great creative forces of the workers in socialist competition for the fulfillment and the pinpointed surpassing of the state plans, as expressed convincingly in the obligations of the collectives of all combines of industry, as well as the workers in construction, to overfulfill the national economic plan in 1981 by an average of more than three daily outputs. In so doing, such qualitative characteristics are gaining increasing influence as the growing responsibility of the work collectives and the workers for the fulfillment of the general state tasks, high output potential and the creativeness of the workers, especially in carrying-through the scientific-technical progress, for high efficiency and quality of work in all areas, and for the rational use of energy and raw materials.

The further development of socialist democracy is connected in the closest possible way with the consistent carrying-through of democratic centralism under the new conditions. Democratic centralism is and remains an inalienable principle of the organization of socialist statehood.

In the process of the further formation of the developed socialist society, in particular the securing of a high increase in the output of the national economy through the persistent transition to intensively expanded reproduction and the decisive approach to the carrying-through of scientific-technical progress, as well as the full utilization of the advantages of the socialist planned economy, new demands also necessarily result in connection with the carrying-through of democratic centralism in state administration. This concerns the perfection of the activity of the central state organs, their stronger orientation towards the solution of the



fundamental questions of social development and the effective connection of long-term-conceptual activity with the requisite direct operative work for the precise all-round fulfillment of the state plans. The cooperation between the central and local state organs is becoming ever closer, based on the most progressive experiences of the combines, plants, and work collectives in the preparation of fundamental state decisions and in the execution of the uniform state policy. It is the duty of the local state organs to fulfill general state tasks to an increasing extent. Their coordinating and controlling functions with respect to the securing of a complex development in the territory is growing. The entire state direction process is increasingly being oriented towards the more effective development of the initiative and output capacity of the workers in all fields, in particular in connection with the mastery of scientific-technical progress.

Of fundamental significance for the further carrying-through of democratic centralism, especially in the direction and planning of the national economy, was and is the general formation of combines. In that way the modern form of the direction of socialist industry was created which corresponds to the higher demands for the further formation of the developed socialist society, in particular the realization of the economic strategy for the attainment of a high increase in the output of the national economy and the continuation of the policy of the main task.

An important task for further scientific work consists in the more thorough investigation and elaboration of the state and administrative law consequences, resulting from the formation of combines, for the further perfection of state direction and planning. This should take place above all under the following aspects:

1. With the formation of the combines, important prerequisites were created for the further perfection of the activity of the central state organs, above all the Council of Ministers and the ministries. They make it possible and necessary that the central state organs can concentrate more intensively on the strategic questions of the development of the national economy and the individual spheres. At the same time, new demands result for the guiding, organizing, coordinating and controlling activity of the central state organs.
2. With the formation of the combines new conditions have also come into being for the cooperation between the large economic units and the territorial state organs, for a more effective link between branch and territorial administration. On the one hand, in that way undoubtedly better possibilities exist to exhaust still more effectively the territorial resources for a high increase in the output of the national economy and for the further improvement of the working and living conditions in the respective territory. On the other hand, new problems also arise from the formation of the large combines, which in many cases extend over several districts. With respect to the coordinated and division-of-labor cooperation between the territorial state organs and the plants--problems that must be mastered administratively and also regulated legally in the requisite scope.
3. Especially important is the fact that in the most progressive and most productive combines increasingly modern and effective socialist methods of direction are developed and applied, which are of fundamental significance for the perfection of general state direction and the socialist style of work. This, for example, concerns the carrying-out of output comparisons in connection with exchanges of ex-

perience in order to open up in this way national economic reserves and to overcome unjustified differences in the levels of output. The output comparisons prove to be the most effective type of administrative activity to open up larger reserves and to supply the experiences of the best to all. For this reason the output comparison and the exchange of experience are being applied in the local state organs to an ever greater extent as well. In the direction of the combines important elements of the socialist style of direction, such as the realization of the principle of single direction and personal responsibility, complex and coordinated direction, a precisely functioning regime of accounting and control, as well as the application of modern computer technology and electronic data processing in the process of direction, find their further development.

One can proceed from the fact that especially in the process of the direction of socialist industry and in the most advanced and productive combines those methods of direction and style of work develop which best do justice to the new demands of the 1980's, the in principle new demands with respect to the combination of the advantages of socialism with the achievements of the scientific-technical revolution and thus the realization of our economic strategy. These methods are of fundamental significance for the further perfection of state direction and planning. For this reason the science of state and law must study these questions and strengthen related interdisciplinary work.

The 10th Party Congress appreciated the significant role of the local organs of state power as links of the uniform socialist state power, whose responsibility in the process of the formation of the developed society is constantly growing and whose field of activity is expanding. At the same time, the task was set "to check the responsibility of the local state organs on the individual levels of administration and to make the law on the local people's representations and their organs more precise in accordance with the new state of development."<sup>4</sup> Without a doubt, the specialists in political science and jurisprudence, especially the scientists active in the area of state and administrative law, must make an appropriate contribution to the exact definition of this law, in which connection two aspects should find consideration:

1. The law on the local people's representations and their organs, which was elaborated in accordance with the order of the 8th SED Congress and adopted by the People's Chamber on 12 July 1973, has proved itself in social practice and has turned out to be a stable constitutional foundation for the successful activity of the local state organs in regard to the realization of the policy of the main task in its unity of economic and social policy--a policy which is aimed at the welfare of the people. This concerns both the structure and organization of the law and the way of legal regulation. Since the law concentrates on the fundamental questions and largely foregoes dealing with detailed definitions, it remains even in the present situation in its present version a constitutional foundation for the activity of the local state organs with respect to the execution of the decisions of the 10th SED Congress. The question, however, is to exhaust still more completely the possibilities which this law offers.

2. The 10th Party Congress has as its aim, first to elaborate clearly the new demands on the activity of the local state organs and then to define the law more precisely. The question, in short, is not to change or "to improve" the wording

of this or that article. Rather the question is to determine more precisely the responsibility, as well as the tasks and powers of the local organs of state power in the further formation of the developed socialist society in the GDR. This requires the consideration of the experiences of the local state organs in the different areas until to now and at the same time the analysis of the new experiences in the execution of the decisions of the 10th Party Congress. Necessary measures to increase the responsibility of the local organs of state power will, therefore, take place even before the more precise definition of the law. This concerns, for example, the increase in the role and responsibility of the kreis plan commissions in the preservation and carrying-through of the general interests of the national economy, as well as for the promotion of output and efficiency development. Likewise it must be taken into account that certain powers of the local state organs already now, if it is necessary, are regulated legally in a more precise manner, as possibly in the area of location permits, etc.

From the up to now successful activity of the local people's representations and their organs and the higher demands of the new developmental period of the formation of the developed socialist society introduced by the 10th Party Congress, the following problems, above all, are discernible, which in the revision of the law on the local people's representations and their organs should find special consideration:

1. The most important concern is evidently the more precise determination and legal regulation of the tasks and the responsibility of the local organs of state power for therealization of the economic strategy in the 1980's for the achievement of the requisite high economic output increase through consistent thorough intensification and for the fulfillment of the main task in its unity of economic and social policy on the individual levels of direction. The directive of the 10th SED Congress regarding the Five-Year-Plan for the development of the national economy in the years 1981-1985 emphasizes the fundamental tasks of the councils of the bezirks and kreise "to provide all-round support, through the rational utilization of the territorial conditions of reproduction, for the crucial tasks of science and technology and socialist rationalization, in particular microelectronics, robot technology and machine tool construction, as well as the plans of raw material production, materials economy, and the production of profitable disposable export products and new, high-grade consumer products."<sup>5</sup>

The local state organs, especially the councils of the bezirks, have already in the past performed constructive work towards the rational utilization of the territorial conditions of reproduction for the fulfillment of general state tasks, especially through territorial rationalization. In so doing, a great deal of valuable experience could be gathered. Now the question is regulate legally the tasks and powers of the local state organs with respect to the planning and long-term conceptual work, the direction, coordination and control regarding the realization of the economic policy, as well as the fulfillment of general state tasks insofar as necessary and to elaborate them further. In so doing, special consideration is to be given to the perfection of the direction, planning, coordination and settlement of territorial rationalization, in the course of which the tasks and powers are to be set down in a differentiated manner in accordance with the structure and organization of the law on the local people's representations for the individual levels of administration--bezirk, city, and community.

2. In connection with the growing responsibility of the local organs of state power in general state matters, the further formation of the relations between branch and territorial direction and the cooperation of the territorial state organs with the combines and combine plants acquires special significance. As is well known, great progress was made on the basis of the law on the local people's representations and their organs especially in the cooperation between the territorial state organs and the plants to accelerate economic growth and systematically improve the working and living conditions of the citizens in the cities and communities. With the general formation of combines, new conditions and requisites for the cooperation of the local state organs and these large economic units, combine plants, parts of plants, etc. have come into being which can no longer be encompassed adequately by the present definitions--especially in paragraph 4 of the law on the local people's representations. Since the Regulation on State Combines, Combine Plants and State Enterprises of 8 November 1979<sup>6</sup> does not contain adequate definitions regarding the relations to the local state organs, it will be left, above all, to the more precisely-defined law on the local people's representations and their organs to adopt the requisite legal regulations.
3. The tasks of the local state organs for the direction and planning of subordinate enterprises, including those enterprises which are of great value for the working and living conditions of the population, have constantly grown. For this reason the responsibility of the local state organs on the different levels of administration for such spheres as agriculture, forestry and foodstuffs, construction, trade and provisioning, services, etc. is to be further and more precisely defined. In addition, new tasks have been added, for example their responsibility for the collection and utilization of secondary raw materials.
4. In the course of the more precise definition of the law it will also be necessary to analyze the development of the community associations in order to determine more exactly on this basis their position, tasks, rights and duties. In line with the orientation of the 10th Party Congress, such legal regulations must be created which still more strongly orient the cooperative work of the cities and communities towards the opening up of new reserves for the increase in output of the enterprises and cooperatives, as well as for the improvement of the working and living conditions of the citizens. The responsibility, as well as the rights and duties, of the elected state organs of power in the cities and communities are to be strictly observed in the future as well.
5. The political-territorial structure and the structure of the local organs of state power, which will with certainty be preserved in the future as well, time and again prove to be an important factor of the stability of our socialist state. Within the framework of this firmly-established territorial structure, certain developments are taking place which should be considered in the course of defining the law more precisely. This concerns, above all, the responsible work of the state organs in the city bezirks, the deepening relations between the state organs on the level of the bezirk and the bezirk city, as well as between the adjacent city and rural kreises.
6. Since the enactment of the law on local people's representations valuable experience has been gathered in the activity of the elected state organs of power and



in the creative work of the deputies. The 10th Party Congress demanded that the power of the local people's representations be still more strongly developed and that more effective use be made of the great knowledge, the rich political and professional experience of the deputies. Therefore it will be an important concern in the revision of the law to further develop, as far as is necessary, the state law dimensions of the forms of activity of the local people's representations, their commissions, as well as the work of the deputies, like the work of the deputies in the constituency and the consolidation of the relations between the voters and elected.

7. It would also be appropriate to pay greater attention to the manifold new problems of the realization of a scientific, grass-roots-oriented, practical and rational style of work. In this connection efforts should be made to include in the law also more precise definitions concerning the carrying-out of output comparisons, the strengthening of political work among the masses, the work with the petitions of the citizens, and concerning the further rational development of the work in the local state organs.

Beyond this the science of state and law is faced with the general task elaborate theoretical foundations for the growing role of the local state organs as links of the uniform socialist state power in the construction of the socialist and communist society and the demands resulting from this for the constitutional regulation of the position, the tasks and powers of the local people's representations and their organs. It is equally necessary to analyze more thoroughly and to determine more precisely the characteristic features of the different levels of administration of the bezirk, the kreis, etc.

Future scientific work must pay special attention to the relations between the party as the leading force in the construction of the socialist society, the socialist state, and the people. In impressive fashion, the 10th Party Congress demonstrated the unity and unanimity of the Marxist-Leninist party, the SED, and their inseparable bond with the working class and all classes and strata of the people. The increased political-moral unity of the people of the GDR and the firm confidence of the citizens in their socialist state were again confirmed by the elections to the People's Chamber, to the Assembly of City Deputies of Berlin, and to the bezirk assemblies on 14 June 1981. They are the most important guarantee and the most decisive factor for the fulfillment of the ambitious goals and high demands in the further formation of the developed socialist society, in particular in the realization of the economic strategy in the 1980's, and for the successful continuation of the program of dynamic economic growth and the prosperity of the people.

The unity of party and people, which is rooted in our social practice, is developing and is becoming consolidated on the basis and in the realization of the policy elaborated jointly by the party and the working class, the class of cooperative farmers, and the other strata of the people, a policy which takes as its point of departure the fundamental interests of the people, is distinguished by its high scientific character and is based on the political rule of the working class.

The incessant consolidation--and in this sense the constant renewal--of the relationship of trust between party, state and people belongs to the essential characteristics of the formation of the developed socialist society in the GDR. This

law-conforming process is taking place, as experience teaches, not spontaneously, not by itself. There is no automatism between the creation of the material-technical base, the improvement of the material and cultural level of living, and the consolidation of the political-moral unity of the people, as well as the elevation of the political consciousness of the masses. This penetrating process of the ever-closer bond between the party, state and people must be headed by the party and above all be organized with the aid of the socialist state organs and the social organizations. The Marxist-Leninist party is the formative and mobilizing force in this process, which it directs and leads consciously.

Fitted into this process of the further deepening of the relations between party, state and people is also the further development of the relationship of trust between the state organs and the citizens, as well as the position of the citizen in the socialist state system.

The position of the citizen vis-a-vis the socialist state, as well as the relations between the state organs and the citizens have all along occupied a large space in the work of the science of state and law. In a comprehensive manner the nature and content of socialist citizenship were established and the doctrine of socialist citizens' rights and duties were elaborated. However, in addition to the further scientific treatment of these problems, the necessity arises at the same time to view the relations between the socialist state and the citizen in a more complex manner since qualitative changes in the relations between state and citizen, too, ensue with the further formation of the developed socialist society and the perfection of the political organization of the socialist society through the development of socialist democracy. The citizens are taking part in an ever more extensive way in the elaboration of state policy and the formation of uniform will of the state. They themselves carry through the state decisions and control their execution. At the same time, the significance of honorary work is growing since the workers observe their responsibilities as citizens ever more broadly and consciously. The citizen is the actively acting force in our socialist state system.

Decisive for the law-conforming deepening of the relationship of trust between state and citizen, for the development of creative power and initiative will be the perfection of the socialist style of work, which is being elaborated by the SED, is practiced in its own work, and will be transferred to the activity of the socialist state organs. At the 10th Party Congress the fundamental questions of the formation of the socialist style of work were also treated in connection with the increase in the leading role of the party--questions whose significance for the successful execution of the tasks decided by the 10th Party Congress was again underscored at the 2nd Session of the SED Central Committee: "The key is a highly practical style of work, are comradely relations of party, state and economic functionaries to the citizens, is the precise knowledge of what it is that agitates them. To this we must always attach the greatest significance in the political work among the masses. For this is what promotes initiative and strengthens the trust between party and people, and the bond between the citizens and their socialist state."<sup>7</sup>

The further perfection of state direction and planning, the increase of quality and efficiency are to be connected in the closest possible way with the formation of the socialist style of work. This gives rise to the necessity of making the questions of the socialist style of work, the political work of the state organs

among the masses, public relations, the influence of public opinion, the work with petitions, the rational formation of the process of direction also the subject of research and teaching work in state and administrative law and to strive for a complex treatment of these questions.

#### FOOTNOTES

1. Cf. E. Honecker, "Decisions of the 10th Party Congress Determine the Further Work," N[EUER] D[EUSSCHLAND], 20/21 June 1981, p 1.
2. W. I. Lenin, "Werke" [Works], Vol 26, Berlin, 1961, p 246.
3. Cf. "Protocol of the 9th SED Congress", Vol 2, Berlin, 1976, p 238.
4. Cf. "Report of the Central Committee of the Socialist Unity Party of Germany to the 10th SED Congress. Reporter: Comrade Erich Honecker", Berlin, 1981, p 118.
5. Cf. "Directive of the 10th SED Congress Regarding the Five-Year-Plan for the Development of the Economy of the GDR in the Years 1981-1985. Reporter: Comrade Willi Stoph", Berlin, 1981, p 81.
6. "Gesetzblatt" I, 1979, pp 38 ff.
7. E. Honecker, "Decisions of the 10th Party Congress. . .", op. cit., p 1.

#### Indivisibility of Socialist Ownership

Potsdam-Babelsberg STAAT UND RECHT in German Vol 31 No 3, Mar 82 (signed to press 21 Jan 82) pp 230-240

[Article by Axel Ottinger, Institute for Theory of State and Law, GDR Academy of Sciences: "The Work Collective of Socialist Industrial Enterprises As a Subject for Theoretical Political Science"]

[Text] The objectively growing role of the work collectives of socialist industrial enterprises in the life of our society is clearly visible in their countless activities in socialist competition to increase the output of the national economy both in the preparation of the 10th SED Congress and in the conversion of its decisions. This is also what explains the increasing interest of different social science disciplines in research on work collectives. In what follows below, attention is focused on some aspects which, in my judgment, prove to be relevant in the investigation of the work collectives of socialist industrial enterprises from a political science perspective.

## On the Close Interrelationship Between Political and State Power, the Deepening of Socialist Democracy and the Work Collectives

Without themselves being a component of the mechanism of socialist state power and exercising political power directly--that, according to Article 5 of the Constitution, is reserved for the democratically elected people's representations--the work collectives of socialist industrial enterprises nevertheless exhibit decisive points of contact and close interrelations with the socialist state in the realization of political and state power. The continuous policy of the SED in the question of the state finds expression in the clear orientation of the 10th Party Congress. The question is to strengthen the socialist state in every possible way, to develop further the revolutionary qualities of the working class as the class which exercises power, constantly to increase the competence of the working class and all workers to exercise power and thus to develop socialist democracy further. At the same time, the party congress emphasizes the necessity of ever closer cooperation of the state organs with the social organizations, the work collectives and the manifold activities of the workers in all areas of life.<sup>1</sup>

For this reason it is of extraordinary theoretical and practical significance to comprehend precisely the dialectic interrelationship between the political and state power of the working class and the work collectives of socialist industrial enterprises and to fit the work collectives into the process of the realization of the political power of the working class. The topicality of this question is demonstrated especially by the efforts of imperialist circles of the NATO states, which are becoming increasingly visible lately, to gain influence in the countries of real socialism with their pluralistic counterrevolutionary concepts praising "self-administration".

It is of fundamental significance to emphasize time and again the question of property and its inseparable connection with the construction and consolidation of the power of the working class. The socialist ownership of the means of production, which under the active influence of the new revolutionary state power in the main came into being already during the transition period from capitalism to socialism,<sup>2</sup> embodies the economic foundation of the power of the workers and farmers. On this question Lenin wrote in 1920: "The victorious proletariat has done away with private property and eliminated it once and for all. It is in this that the rule of the class is expressed. Above all in the question of property. When we had decided the question of property in practical terms, the rule of the class was secured."<sup>3</sup>

Socialist ownership of the means of production--above all in the form of general social ownership of the people as its highest form and the decisive foundation of the national economy--requires objectively that the people, the workers in city and country, as the owner entrusts the socialist state and its organs with the uniform central direction and planning, the multiplication and the protection of the property of the people against all encroachment. It is precisely in this that one of the decisive advantages of socialism is revealed. The successes in connection with the development of the socialist national economy and the raising of the standard of living of the people on this basis confirm the correctness of the Leninist principle of the indivisibility of the political power of the working class and the ownership of the people.



In view of the pluralistic conceptions of group property instead of social ownership and the emphasis on the alleged advantages of self-administration<sup>4</sup>--time and again recommended by imperialist and reformist ideologists--it is necessary to pay special attention to the unconditional securing of the indivisibility of public ownership and socialist state direction and planning, making use of democratic centralism; for the propagation of the so-called autonomy of the enterprises and the glorification of competition contradict the principle of democratic centralism. They aim at the undermining of the uniformity of socialist state power, the political and economic dismantling of the power of the working class and its allies. Opposed to this is the experience of the CPSU and the teaching of Lenin that it is the task of socialism "to transfer all means of production to the ownership of the entire people, but by no means the ships to the dockhands, the banks to the bank employees. . . . The direction must lie in the hands of the Soviet power."<sup>5</sup>

From the perspective of political science, therefore, the question is to comprehend the position of the work collectives of socialist industrial enterprises as part of the state economic organism based on socialist ownership and to emphasize that these are firmly integrated into system of state control, which is organized both vertically and horizontally. The integration of the work collectives united in the enterprise into the state control system produces a specific kind of fusion of direction and political and state exercise of power which is characteristic of the activity of state managers and the exercise of political and state power, since questions of economic management are questions of the exercise of state power.<sup>6</sup> In the work collectives merged into a state enterprise, therefore, state and social elements form a dialectic unity.<sup>7</sup> Corresponding to the deeply democratic character of socialist political and state power, the workers of the collective take part in many different forms in the direction of state and social affairs.

A fundamental feature of the development of socialist democracy is to be seen in the fact that the participation of the workers in the solution of state and social tasks is closely connected with the realization of their comprehensible production and work tasks. In many respects this is extraordinarily significant and effective, for in the work collectives the active, creative striving for the attainment of high work results through the application of scientific-technical progress combines with the all-round development of the socialist personality and with the consolidation of of comradely cooperation and mutual help within the collective. The initiative-rich conversion of the economic strategy for the 1980's decided by the 10th Party Congress also makes new and higher demands on the state management activity and on the development of socialist democracy in the work collectives of socialist industrial enterprises. Through the formation of combines favorable conditions for this have been created in the work collectives of the enterprises, which must find still stronger expression in practical results.

The close cooperation of party, state and trade unions--as typical characteristic of socialist development of state and democracy--characterizes in a significant way the political conditions in the work collectives of the industrial enterprises. An outstanding place belongs to the trade unions as the comprehensive class organization of the working class in the realization of the participation of the workers in individual management, which is the shape taken by political and state power in the economy. In the organization of socialist competition, the innovator movement, the plan discussion, the development of initiatives for the improvement of working and

living conditions, the trade union organizations make a very great contribution to making the members of the work collectives familiar with the practical exercise of power.

The integration of the work collectives, fused into enterprises, in the system of state direction has, in addition to the structural, also a functional side. The work collectives are integrated in the system of the functions of the socialist state and their realization. Increasingly they exert an active influence on the realization of its internal and external functions. In the investigation of the interrelationships between the carrying-through of the functions of the socialist state and the realization of the functions of the work collectives of socialist industrial enterprises, one can proceed from the fact that all elements of political organization exhibit functional similarities. The existence of analogous functions in all components of political organization is also called functional monism in the organization of social life.<sup>8</sup> The specific elements of the functions of the socialist state, which are significantly determined by its social destination and its class nature, however, consist in the fact that the state as the organization of political and state power lends its functions a generally-binding character. The socialist state and its organs enable the work collectives of socialist industrial enterprises to develop their specific functions fully<sup>9</sup> and to approximate them with regard to their content to the state functions, since the question is to make the social factors corresponding to the interests of the working class effective in their complexity in the activity of the work collectives. At the same time, important impulses for the qualification of state management activity emanate from the work collectives of the enterprises, which in their turn enrich and stimulate the work of the organs of the socialist state and the management of the economy. In participating with their specific means and possibilities actively in the solution of general state tasks, the work collectives contribute decisively to the consolidation of the socialist state.

Direct and original interrelationships exist between the work collectives of the enterprises and the elected organs of state power. In accordance with the stipulation in the election law of 1978, the work collectives exert a decisive influence on the formation of the organs of state power in that the candidates to be nominated by the democratic parties and mass organizations are examined and proposed beforehand in the collectives in which they work.<sup>10</sup> In so doing the cornerstone for the development of a genuine trust relationship is laid already in the preparation for the election. The cooperation of the elected people's representations, as well as their organs and deputies, with the work collectives could improve, above all, in a qualitative way. It enriches both sides and contributes in many different ways to the solution of important tasks of the national economic plan, in particular in the area of the improvement of the working, living and housing conditions of the citizens. This cooperation makes it possible to open up reserves for the intensification, the rationalization and the increase in the effectiveness of investments, as well as in the saving of living and objectified labor. We must also emphasize the fact, borne out by investigations,<sup>11</sup> that the influence of the work collectives of socialist enterprises on the activity of people's representations, the preparation, execution and control of laws, decrees and state decisions is becoming more extensive and competent. The political weight of the work collective in its relationship to the elected organs of state power has its upshot finally in the legally vested right to demand the recall of a deputy if he grossly violates the

trust the workers have placed in him.<sup>12</sup>

With a view to the cooperation between state organs and work collectives of the socialist industrial enterprises in the carrying-through of socialist legality, mention must be made of the decisive exertion of influence of the work collectives in the formation of organs of the administration of justice (election of lay assessors and the conflict commissions) and their active role in the daily struggle for the carrying-through of socialist law. Through the lively political-ideological work performed under the leadership of the party organizations in the work collectives, the educational forces of the collectives unfold in the struggle for high discipline and order, for the consolidation of the sense of civic responsibility of their members. The initiatives of many work collectives--meanwhile about 75,000 state-recognized collectives of exemplary order and safety are working in the national economy<sup>13</sup>--which in the movement for exemplary order, discipline and safety contribute to the preservation and protection of what has been achieved, were given special recognition at the 10th Party Congress of the SED.

#### On the Role of the Work Collectives as a Component of the Political Organization of the Socialist Society

In my view, further efforts are needed to demonstrate convincingly why and to what extent the work collective is a component of political organization. It must also be clearly determined what structural unity is meant when reference is made to the work collective as a component of political organization. To begin with, it can be stated that in the literature of the social sciences of the past few years the conception prevails which calls for the consideration of the work collective as a component of the political organization of socialist society, in connection with which, to be sure, the argumentation to prove the point at times is missing or is developed differentially. In isolated cases the position is taken that the work collectives certainly bear a growing political responsibility for the perfection of the political organization of socialism, but themselves do not become one of its components.<sup>14</sup> In order to prove why the work collective is a component of the political organization of socialism the argument is advanced that all workers and their collectives take part in the process of the formation and carrying-through of the political will.<sup>15</sup> In addition, the conception exists that social elements, like the work collectives, also go into the political organization of the socialist society--elements which are no political phenomena in the true sense, but which exhibit a highly important political component.<sup>16</sup> In the characterization of the work collectives and their development as elements of the political organization of socialism, it is pointed out that they differ from all other elements since they do not have a specifically political structure of organization. They are turned into a political subject primarily through the formations of the party, the trade union, the youth association and other social organizations, which operate within their framework.<sup>17</sup>

As can be seen from the viewpoints that have been cited, a valid demonstration of the integration of the work collectives into political organization of socialist society, regarded as possible and justified, must make use of the views expressed in the discussion around this set of problems and proceed from clear methodical viewpoints. Of course, in so doing one should avoid endorsing the view of those who stand for an autonomization of the work collectives vis-a-vis the state and strive for an autonomous self-administration of the enterprises disconnected from

the socialist state.

In regard to method, important considerations regarding the criteria for the belonging of certain social organisms and phenomena to the political organization, as well as for the assessment of their place in the political organization, have been expressed in particular by Soviet social scientists. As is well known, Lenin defined politics as "participation in state-affairs, direction of the state, determination of the forms, the tasks and the content of state activity."<sup>18</sup> Proceeding from this, the socialist state is characterized as the main link of the political system of socialism,<sup>19</sup> as the element which merges all other links into a system.<sup>20</sup> It is emphasized that the social associations entering into the political organization of socialist society must exhibit a political as well as an organizational aspect.<sup>21</sup> With regard to the determination of the political aspect it is in many cases granted that the political organization of socialism includes both those elements which one can call political associations in the true sense (direct political organizations) and those which are not political organizations in the true sense, but have a political coloration (indirect political organizations).<sup>22</sup>

In the evaluation of these opinions, W. M. Korelski elaborates three criteria for the socio-political institutions which form the political organization of socialist society:

- a) the internal connection with the other elements and with the functioning of the political organization as a whole;
- b) the practical participation in the realization of political power and the state direction of the social process; and
- c) the presence of an organizational form which is based on the unity of goals and interests.<sup>23</sup>

The significant and constructive aspects of this approach consist, in my view, above all in the fact that the existence of elements of political organization is linked to their participation in the exercise of state power and the formation of organizational forms closely connected with it, which are based on definite uniform interests and represent them. Already Marx pointed out the close interrelationship of the exercise of political power and the carrying-through of the interests of the working class, which presupposes its organization: "The political movement of the working class, of course, has as its final goal the conquest of political power for itself, and this, of course, necessitates a previous organization of the working class which is developed up to a point and grows out of its economic battles. . . . And in this way a /political/ movement grows up everywhere from the isolated economic movements of the workers, i. e., a movement of the /class/, in order to push through its interests in general form, in a form which has general, socially-binding force."<sup>24</sup> Whether a social organizational form becomes active as an element of the political organization of socialist society depends in a significant way on its ability to articulate--on the basis of the general social interests of the ruling working class--those objective partial interests of the workers represented by the given organization and to carry them through in the process of the exercise of state power.

In relation to the work collectives of socialist industrial enterprises it is important, therefore, first of all, to determine their objective place in the structure of interests of the socialist society. Through the social division of labor, direct social production under socialism takes place in a multitude of enterprises



which appear as relatively independent producers of commodities. This entails objectively the formation of collective interests, whose harmonious integration in the general social interests again and again presupposes the overcoming of possible partial contradictions. In so doing, not only the collective economic interests of state-directed and state-planned economic units, which work according to the principle of economic accounting, form in the enterprises, but the economic interests are supplemented by social, political and spiritual ones, as whose bearers the social organizations of the workers in the enterprises function above all. It is emphasized in the literature that, as basic economic units, the enterprises contribute significantly not only to the collective, but also to the individual and the social interests altogether, and play an important role in the undertaking to guarantee their harmony.<sup>25</sup> It is stated correctly: "The formation of large combines is--seen in this context--a way to achieve a better harmony of social and collective interests."<sup>26</sup>

Proceeding from the objectively-determined position of the socialist enterprises in the interest structure of socialist society, the Constitution of the GDR undertakes its integration in the political structure of the socialist society in Article 41. According to that, the enterprises, within the framework of central state direction and planning under the leadership of the Marxist-Leninist party, embody individually responsible associations in which the workers work and shape their social relations, in which they realize their citizens' rights, especially the fundamental right of the extensive co-determination of the political, economic, social and cultural life in state and society, and in which they link their personal interests effectively with social interests, as well as develop a diverse socio-political and cultural-spiritual life.

The integration of the socialist industrial enterprises into the combine as the modern form of the direction and concentration of production narrows in no way the position of the enterprises determined in the Constitution of the GDR. On the contrary, it creates more favorable prerequisites and conditions for the full development of the specific functions of the work collectives in the enterprises. The full exhaustion of these new possibilities, as the 3rd Session of the SED Central Committee emphasized, depends to a considerable extent on the abilities of the managers. "What is decisive is to lead the great collective of people in the light of the decisions of the 10th Party Congress to interested and initiative-rich action."<sup>27</sup>

By stressing the fundamental position of the enterprises in the socialist society, the constitution, in my judgment, at the same time drives at how their possible integration as a component of the political organization of socialism is to be understood. On the one hand, it becomes clear that, when we talk about the work collective as a component of political organization, we mean the socialist enterprise, but not the brigade or the smallest structural unit which cannot be divided further.<sup>28</sup> On the other, it becomes clear how the integration into the political organization practically takes place: The integration of the socialist work collectives that are based on public ownership into the political organization of socialist society takes place through different mediating channels, through their integration in the economic organism of the state and thus in the system of state direction, which is organized both vertically and horizontally and functions in accordance with the principle of democratic centralism. It also takes place through the formations of

the party of the working class functioning within the framework of the socialist enterprises, through the organizations of the trade unions which become active in the socialist enterprises, as well as through a number of other social mass organizations.

In answering the question of what structural unit is meant when the work collective as a component of political organization is being discussed, one can see the disadvantage of the fact that there is as yet no uniform concept of the work collective that is recognized by all social science disciplines. In my judgment--and in that of a large number of Soviet authors--the concept of the work collective must include its hierarchical vertical structural uniformity, which reaches from the brigade to the combine or the production association.<sup>29</sup> From the standpoint of political science, the following beginning thought offers itself as a step towards the clarification of this problem: The smaller collectives are included in the political organization of socialist society through their integration in the socialist enterprise, which in its turn becomes a part of the combine. This results, inter alia, also from the application of the principle of democratic centralism and from the above-mentioned stipulations of the constitution.

#### FOOTNOTES

1. Cf. "Report of the SED Central Committee to the 10th SED Congress. Reporter: Comrade Erich Honecker", Berlin, 1981, pp 116, 130.
2. Cf. R. Mand/K.-H. Schoeneburg, "Political System of the Anti-Fascist-Democratic Power and Revolutionary Process (1945-1949)," STAAT UND RECHT, 1980, p 591.
3. W. I. Lenin, "Werke" [Works], Vol 30, Berlin, 1961, pp 448 ff.
4. Thus in a publication edited by M. Bermbach and F. Nuscheler, a demand is made for "the transfer of state ownership which is centralized in the hands of a monopolistic bureaucracy, to decentralized social ownership" ("Socialist Pluralism. Texts for the Theory and Practice of Socialist Societies", Hamburg, 1973, p 21). Even today people openly place their hope on the fact "that the ideas of the 'Prague Spring' or self-administering socialism did (not) disappear from people's heads as alternatives to 'real socialism'" ("Pluralism. Foundation and Discussion", Opladen, 1980, p 153).
5. W. I. Lenin, "Werke", Supplementary Volume 1917-1923, Berlin, 1973, pp 33 ff.
6. Cf. "Report of the SED Central Committee to the 9th SED Congress. Reporter: Erich Honecker", Berlin, 1976, p 83.
7. Cf. "The Work Collectives in the System of Socialist Democracy", Moscow, 1979, p 26 (in Russian); "Leninism and the Direction of Social Processes Under Socialism", Moscow, 1973, p 70 (in Russian); L. M. Karapetyan, "Scientific Management and Democracy", Moscow, 1979, p 134 (in Russian); P. T. Bugayenko, "The Production Collective As a Socialist Cell of the Socialist Society", NAUCHNYY KOMMUNIZM, 1977, No 1, p 42. In the GDR this conception has not been supported up to

- now. On the contrary, to some extent the collectives of the workers, in my estimation, are characterized very one-sidedly as non-state forms of socialist democracy (cf. "Marxist-Leninist Theory on the State and Law. Textbook", Berlin, 1980, p 304).
8. Cf. B. P. Kurashvili, "On the System of the Functions of the State", in "Problems of the State and Law", Moscow, 1974, p 26 (in Russian).
  9. The functions of the work collectives are determined differently in the literature (especially Soviet literature). Above all, their economic-productive, their social integration functions, as well as their management and education function must be emphasized. The content of these functions is characterized by the striving of the work collectives for the attainment of high work results with the aid of scientific-technical progress; the effective link, based on the the national economic plan, of the fundamental personal, collective and social interests, which includes the overcoming of possible interest contradictions; the active contribution to the all-round development of the socialist personality, the purposeful participation in the state direction and planning of social affairs and the growing influence on the development of democracy, which is taking place in many different forms.
  10. Cf. Paragraph 17 of the Election Law of 24 June 1976, "Gesetzblatt" I, p 303.
  11. Cf. "Information of the GDR State Council for Local People's Representations", Feb and Nov 1980.
  12. Paragraph 47 (4) of the Election Law of 24 June 1976, op. cit., p 305.
  13. Cf. S. Heger, "The 10th SED Congress Continues the General Line for the Benefit of the People", NEUE JUSTIZ, 1981, p 196.
  14. Cf., for example, H. Baumgarten/R. Rupf, "On the Determination of the Uniform Character of Individual Components of the Political Organization of Socialism in the Formation of the Developed Socialist Society in the GDR, Theses on the Dissertation", Berlin, 1980, p 17; M. N. Marchenko also argues strongly against the inclusion of enterprises and other structural units of the economic organization of socialism (cf. "The Political Organization of Soviet Society. Theoretical Questions", Moscow, 1979, ch 1, in Russian).
  15. Cf. U.-J. Heuer, "Social Laws and Political Organization", Berlin, 1974, p 146.
  16. Cf. L. Lotze/I. Wagner, "Remarks on the Article 'The Socialist State in the Political System of Society'", STAAT UND RECHT, 1972, pp 1515 ff.
  17. Discussion contribution by R. Stueber at the Colloquium on the Growing Role of the Work Collectives in the Perfection of Socialist Democracy, held in Freiberg in May 1980, in: "The Systematic Development of Work Collectives of the Workers and the Perfection of Socialist Democracy", Freiberg, 1981, p 37; similarly: H. Jetzschmann, "Work Collective, Labor Productivity and Personality Development", Einheit, 1978, p 31.

18. W. I. Lenin, "Marxism and the State", Berlin 1960, p 112.
19. Cf. D. A. Kerimov, "Constitution of the USSR and Political-Legal Theory", Berlin, 1981, p 28.
20. Cf. M. Kh. Farukshin, "The Political System of Developed Socialism and Contemporary Anti-Communism", Kazan, 1980, p 13 (in Russian).
21. Cf. M. N. Marchenko, "The Political Organization of the Developed Socialist Society, Its Structural-Functional Characteristic", in: "The Political Organization of the Developed Socialist Society. Structure and Functions", Moscow, 1976, pp 13 ff (in Russian).
22. Cf. A. K. Belych, "Organization, Politics and Management", Berlin, p 89; M. N. Marchenko, loc. cit., p 20; V. I. Razin, "The Political Organization of Society", Moscow, 1967, p 18 (in Russian); G. A. Belov, "Political Relationships of the Socialist Type", Moscow, 1976, p 171 (in Russian); M. Kh. Farukshin, loc. cit., pp 16 ff.
23. Cf. "Problems of the Theory of the State and Law", Moscow, 1979, p 150 (in Russian).
24. K. Marx/F. Engels, "Werke" [Works], Vol 33, Berlin, 1976, pp 332 ff.
25. Cf. "The Developed Socialist Society, Nature and Criteria. Critique of Revisionist Conceptions", Berlin, 1980, pp 135 ff.
26. "Dialectic of Socialism", Berlin, 1981, p 239.
27. From the "Report of the Politbureau to the 3rd Session of the SED Central Committee. Reporter: Comrade Erich Honecker", Berlin, 1981, p 41.
28. For this reason I cannot agree from the perspective of political science with the conception that for the substantiation and characterization of the work collectives as a component of political organization one must turn, above all, to the lowest, not further divisible units, that is the brigades (cf. D. Chitralla/R. Dau/R. Mittag, "The Work Collectives As Component of the Political Organization of Socialist Society", STAAT UND RECHT, 1980, pp 894 ff.).
29. Cf. V. G. Afanasyev, "System and Society", Moscow, 1980, pp 268 ff. (in Russian); S. S. Vishnevskiy, "The Work Collective", Moscow, 1975, p 7 (in Russian); V. V. Zhuravliyev/Y. M. Shanibov, "Structure and Functions of the Socialist Production Collective Under the Conditions of Developed Socialism", NAUCHNYI KOMMUNIZM, 1979, No 1, pp 64 ff.

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# GOALS OF MACHINE INDUSTRY DEVELOPMENT OUTLINED

Budapest FIGYELŐ in Hungarian 21 Apr 82 p 5

[Article by Andras Gabor: "The Machine Industry's Growth Prospects"]

[Text] Industry has to accept an increasing share of creating equilibrium in the national economy's foreign trade balance.

Opportunities to modify the product structure and to improve the products and manufacturing procedures are greatest in the machine industry. It has also become evident in recent years--in addition to the results achieved which at times are perhaps not valued sufficiently highly--that the Hungarian machine industry is not able to--within a short time--reach and maintain at a continuous level the most advanced technical standards on broad areas. It does not have sufficient quality and quantity of intellectual and financial resources to do so.

The proper goal is to reach the "second line" of developments within the framework of broad based international cooperation and to make efforts to approach the "first line", for which the opportunities will present themselves within a short time. The "second line" does not mean that we produce the same thing in everything as the most developed countries, only not quite as well. It means that we must make efforts towards cooperative production projects, and to develop license and cooperative relationships. The format of this can be cooperation on spare parts or subassembled, joint manufacturing or sales, etc. Of course, this does not exclude the industry from conducting an independent market policy in certain product groups. The area must be found where the major enterprises of the most developed countries are seeking cooperative partners, in which the Hungarian machine industry has comparative advantages.

Using these assumptions, the machine industry's average annual growth measured in terms of gross domestic products will be around 3.6 to 4.8 percent in the next 20 years. Within the industry's production the weight of the machine industry may rise from 23 percent in 1981 to about 40 percent in the year 2000. During this same time period the energy demand of the machine industry's production may decrease by 30 to 40 percent compared to the present conditions.

In the national economy's Sixth Five Year Plan the production increase must come from increased labor efficiency, while there will be an average decrease

of 2 to 2.5 percent per year in the number of people employed in the machine industry.

Implementation of the plan's goals makes it necessary to coordinate the work performed over the broad scale of the technical-economic-commercial life. We must see clearly the situation which exists now in the relationship of the machine industry with the other branches (for example, metallurgy, the chemical industry, etc.), the way it is expected to develop, and also the changes planned in the structural ratios within the machine industry or which may occur as a consequence of the market's influences.

#### The Sixth Five-Year Plan's Goals

In 1981 the machine industry provided 23 percent of industry's gross production value, and according to the plans it will provide 23.5 percent of it in 1982 (based on the 1982 plans of the enterprises). The machine industry's gross production value was 227.1 billion forints in 1981 (these data are not final), the increase is about six percent. Based on the 1982 plans of the enterprises production will increase to 240 billion forints, that is, by about six percent (calculated at current prices).

Based on the 1982 production and sales data about 54 percent of the machine industry's gross production is sold in this country, and 46 percent on foreign markets.

In its main characteristics the 1982 plan corresponds to the requirements the national economy made on the machine industry. Domestic sales show a 3.2 percent increase at current prices. This is in proportion with the moderate growth rate of investments, as well as with the way the population's ability to pay for what it wants is expected to develop.

The rubel-accounted export is growing in accordance with the projections of the long range trade and sales agreements, in harmony with the expansion opportunities of the import deliveries.

Dynamically increasing the nonrubel accounted export is an outstandingly important task of the machine industry. According to the Sixth Five-Year Plan the nonrubel accounted export must increase by 14 to 16 percent per year. The 1981 increase was about 7 percent at current prices. The enterprises in their 1982 plans made 17 percent increase the goal in their nonrubel accounted export--due in part to the existing contracts and in part to expectations of realizing the appropriate portion of the proposals they submitted. The projected very high increase in exports will present a great test of strength to the machine industrial enterprises.

#### Research Programs

In research and development the implementation of the tasks defined in the OKKFT [National Medium Range Research and Development Plan], in the OTTKT [National Long Range Scientific Research Plan], and in the portfolio-level

goal programs form the backbone of the work. Within the framework of the program entitled "Tasks of the Machinery Manufacturing Technology" primarily the development of those modern technological processes is implemented which serve the production of machinery and equipment in the strategic product groups of the machine industry, by simultaneously improving productivity and quality. In accordance with this, development of the following procedures of the machinery manufacturing technology will be implemented: Preshaping technologies (casting production, malleable shaping, heat treatment); welding; tool production; automation (development of machining technology and NC programming, industrial application of robots and manipulators, low cost automation); improvement of the technological information systems (creation of a data bank, improvement of the measurement technology information systems, etc.).

The goals of the program entitled "Improvement of the Production of General Purpose Spare Parts and Subassemblies in the Machine Industry" are improvement of the products and production of hydraulic oil units, pneumatic units, fastener elements, general industrial metal assemblies, gear boxes, liquid pumps, transmissions, springs and industrial chains. The need for this program is justified by the fact that the specialized production of machine construction elements, parts and subassemblies grew only slowly recently in this country. The program contains the development of the machine construction elements and subassemblies which are more important to us. We will have to create the full range of supplies in the support industries by expanding international cooperation. Adjustment to the foreign market demands requires that the structural solutions, control, and the functional as well as operational parameters all have the most modern solutions. In accordance with this, the sales of additional quantities of finished products which can be achieved in a given relationship, must not be allowed to be hindered by the need to buy more imports from the same relationship.

A significant portion of the research and technical development activity conducted in the machine industry--primarily the developments of national significance--are implemented through the cooperation and financial support of the IpM [Ministry of Industry] and the OMFB [National Technical Development Committee]. A proven practice is that financing of development jobs requiring larger expenditures is done through the joint use of enterprise development resources and central technical development funds. In a number of cases, support from the central MUFA [Technical Development Fund] was extended without a repayment obligation. More effective use than so far, of the central technical development funds requires assistance to be made under more strict conditions. Since 1981 the repayment obligation of central technical development monies has become widely applied practice. Of course, the percentage to be repaid varies, and is a function of the specific development goal and the results expected at the implementing enterprise. Introduction of the repayment obligation is already showing a favorable effect and has created healthy competition also for winning the support of the central MUFA.

#### Investment and the Production Structure

During the time period of the Fifth Five-Year Plan the machine industry invested 67 billion forints. Three major investments by the state and 100

significant investments by the enterprises were completed. The enterprises spent 35 percent of the total investment on creating capacities for producing merchandise for capitalist export.

The Sixth Five-Year Plan is planning to invest 56 to 61 billion forints in the machine industrial branches. The 1981 plan was between 8.6 and 9 billion forints, and 11 billion forints were actually spent. In 1981, 27 significant investments by the enterprises were completed, some of them dragged over from 1980. The 1982 projection is 9.4 billion forints. The enterprises planned 15.6 billion forints in this Sixth Five-Year Plans for this time period. Thus, there is a large difference between the ideas of the enterprises and of the national economy. Of course, the implementation of the investments is possible only in proportion with the national economy's ability to bear the load. In 1981, the IpM gave its opinion on the basic documents for 54 significant enterprise investments in the machine industry, of which implementation of the investments has begun on only 12 projects in 1981 due to the shortage of the available monetary means, the rest of them are on the waiting list. Among those which have begun are the VAZ reconstruction [expansion unknown] (Elzett, Bakony Iorks, MHC-AM [Measuring Instruments Factory] gas boiler manufacture, improvement of pipe production at the Matra Regional Metal Works, etc.

Modernization of the production structure, and within this of the product structure is helped primarily by technical development and by the investments. We must consider this a continuing activity which must be made to serve the interests of precisely and clearly definable main goals. We must keep in mind the valuable traditions of our machine industry, the product groups introduced on the international market, and our country's obligations in the bilateral and multilateral production specialization agreements among the CEMA member countries. Special consideration must be given to all domestic developments (investments) for which we can manufacture investment goods profitably produced in the machine industry. The population's demand for durable consumer goods also cannot be ignored as one of the machine industry's markets.

Development of the machine industry's production structure requires much money, and in most cases the recovery time of the development costs is 3 to 6 years. This is the determining factor in there being no opportunity of making spectacular changes either in the composition of the over-all product structure, or in its technological level. Constant and resilient development work is needed in this process. The major portion of the available monetary funds must be concentrated on those manufacturing branches which are most advantageous both on the basis of developing our own national economy and of the market's value judgement and prognosis. Attention must be paid to the rapid implementation of the energy and material saving technologies.

#### Development Directions

The planning of material and energy savings has been built into the planning work of the enterprises. The annual enterprise plans contain those measures the goals of which are profit-increasing energy saving solutions (for example, material savings implemented as a result of applying value analysis,



substitution of other energy sources for oil, etc.). The machine industry produces a great variety of energy consuming equipment. Some of these are public consumption items. A whole series of energy saving structural solutions have been developed in recent years. Such are, for example, certain models of the Diosgyor Machine Factory's IFA-brand pump family, the compressor in the Specialty Equipment Factory's model FK household refrigerator, etc. [Or] the boiler developed in the Lang Machine Factory, suitable for burning agricultural byproducts (corn stalk, straw, etc). The development of complex agricultural harvesting systems is in progress with the cooperation of agriculture and the machine industry, which will produce "cakes" suitable for transportation and for burning from the byproducts after the harvest (trimmings, straw, etc), for heating purposes.

International technical, scientific and economic cooperation continues to play an important role in the growth of our machine industry. We are conducting widely developed technical-scientific and economic cooperation with the socialist countries, within these first of all with the Soviet Union. Bilateral and multilateral manufacturing cooperation which can be found in large numbers in all sub-branches of the machine industry, demonstrate the success of cooperation.

Cooperation is the most frequent format of the lasting economic collaboration developed with the capitalist enterprises. These forms of collaboration are in harmony with the domestic market's absorbing capacity. The capitalist partner's interest in the cooperative collaboration is represented by obtaining the market, while our interest is to insure modern products to fulfill the domestic needs, and to fully or partially counterbalance the capitalist import with export.

Functioning as a complex entrepreneur is increasingly a precondition of us standing our ground on the international marketplace. Complete facilities and systems are comprising an increasing proportion of our export to the developing countries.

We must open the way for the development of the enterprising spirit. Achievement of this goal can be promoted by enriching the existing organizational formats of economic operation, creating new kinds of formats, as well as by improving the operating conditions of private small industry and private commerce.

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CSO: 2500/213

MINISTER DISCUSSES REDISTRIBUTION OF FARM INCOME

Budapest FIGYELO in Hungarian 7 Apr 82 p 13

[Interview with MEM (Ministry of Agriculture and Food Industry) deputy minister Dr Ferenc Vendegh, by Peter Bonyhadi: "The Fate of 4.5 Billion"]

[Text] The agriculture closed last year with good results in spite of all of its unfavorable expectations. What is the opinion of Dr Ferenc Vendegh, MEM's deputy minister, about this?—Our reporter Peter Bonyhadi asked him about this.

[Question] It is well known that in 1981 the large agricultural operations made 4.5 billion forints more profit than had been planned. What opportunities does this extra profit present? Or, knowing about the acceleration of loan repayments, for example, and about the tightening of the credit budgets, can one talk about freely usable extra profit at all?

[Answer] It must be emphasized about this 4.5 billion that due to the system of taxation—the income of the budget also increased significantly more than had been planned. According to the preliminary data, due to the additional taxes, bringing forward the loan payments of the following years, the obligation to replenish the revolving fund, less amortization than had been planned, and the additional profit sharing the purchasing power for investments just barely exceeds the planned amount, especially if we must also consider that the opportunities will be significantly more modest than last year for receiving loans.

[Question] In one-third of the large agricultural operations the profits remained at the same level as before, or decreased below that. Thirty percent of the profit of the AGs [State Farms] was produced in the four agricultural combines. Is there an opportunity for some kind of redistribution within the framework of the branch?

[Answer] There is no need to redistribute the income by means outside the regulatory system!

That is, the amount of tax also increased more dynamically at the farms which closed with larger profits. Bringing forward the loan payments also resulted in a similar effect since the bank "accelerated" the expiration date at those farms where more "available" development resources were formed by the higher incomes.

It also must not be forgotten that the branch had to come up with the financial resources needed to improve the situation of the large operations with low incomes and unfavorable natural conditions, from its own funds. The money needed for this was produced by eliminating the earlier energy subsidies and decreasing the amount of milk subsidies by 20 percent. By doing so we were able to regroup a significant amount of resources which until now increased the profits, from the better than average operations to the benefit of those with lower incomes. If we were to touch the income of the farms beyond this for any reason, it would hinder the growth of efficiency and the development of production.

[Question] The agricultural operations are complaining about the limited investment opportunities, while at the same time the agricultural investments are regularly higher than the planned level. Is the reason for this contradiction perhaps that the structure of the agricultural investments is not developing according to the plan? That the operations are concentrating primarily and understandably on the rapidly recovered investments (for example, on supplementary activity) and not on the fundamental activities which produce smaller profits?

[Answer] As far as the complaining is concerned it must not be forgotten that one-third of the agricultural operations have hardly any development resources at all, and because of the minimal or completely nonexistent so-called own resources they can not take out loans. As far as the others are concerned, because of reasons in the national economy the loan fund itself which can be loaned out is limited.

As far as the structure of agricultural investments is concerned, only the construction investments are deviating from the plan. True, these make up one-third of all the investments. But even this deviation is not contrary to what is defined in the national economic plan. For example, the farms have embarked on the construction of more spaces for cattle and hogs than had been planned. They have significantly overfulfilled the time-proportional plan to create poultry raising spaces and the investment demand for storage spaces is also above the plans.

[Question] Tight loan budget, and overfulfilled investments! Where is the money from?

[Answer] Of course, no farm had any construction done from some kind of "buried treasure". The extra investments, while there is a general shortage of money, were made possible by the fact that a large portion of the investments the agricultural operations initiated in 1981 met the loan conditions for expanding the convertible merchandise bases, and thus they were able to get this additional loan.

In accordance with this the MNB [Hungarian National Bank] paid out the convertible loans requested in 1981 over the plan, primarily for investments promoting the development of the basic activity. Loans for energy rationalization investments were also made in excess of the planned amount, from the funds set aside for this purpose.

Investments for machinery, improvements, and for new plantations also developed at the planned level. Of course, it is also true that the large agricultural operations also significantly increased their activities outside the basic activities. But the investment requirements of this are low, and this very feature is one of the significant advantages in it to the operations and to the national economy.

[Question] Besides the investments, does the system of financial interests of the agricultural operations guarantee the economical improvement of production?

[Answer] The investment cannot be the exclusive tool of production improvements, if for no other reason than because many farms do not even have any money for it. Mentioning the unexploited reserves in general terms here would be a worn-out thing [sic] to do, but in reality there is such a "mother lode" of opportunities hidden in economic cooperation, to serve the improvement of production, between the large agricultural operations with their various levels of development and differing natural conditions and incomes, that it would be a sin to leave it unexploited. For example, while in general the low income farms have few and worn out machines and while they can not work the producing land properly and on time, and they have problems with the utilization of grasslands and pastures and of the existing spaces for livestock, at the same time at the strong farms in many cases the continued dynamic growth of plant production and livestock raising are hindered by the lack of the necessary production acreage. For this very reason, in the interest of developing cooperation, the strong large farms may also transfer their reserve funds to the low income farms for specified purposes, and in return for this they may share in their economic profits.

Beyond this, for example, in the interest of mobilizing the financial and intellectual capacities of the strong farms, in the case of cooperation between the weak and the strong farm (farms), the price subsidy--under specified conditions--, and the production tax discounts can be accounted the same way as if the farm with the poorer given natural conditions had done the work by itself. Taxation of the jointly produced profit is also done according to the conditions of the farm with the lower income.

The other form of "investment-free" production improvement is the expansion of the system of integrated relationships with the small producers. As a result of this, the circle of those large agricultural operations with unfavorable natural conditions which are receiving price supplements for some agricultural products produced by the household plot farms and sold through the large operations, has significantly expanded. The agricultural operations can receive the milk price subsidy, the milk bonus and the slaughter cattle price subsidy even if their animals are being kept by the small producers under a contractual format.



The regulations specifying the use of production equipment purchased earlier with state subsidy have become more flexible. The large agricultural operations may even lease out certain production capacities which can not be used economically by large operational methods—for example, buildings for housing livestock, and plantations. And last but not least, we have made it possible for the workers of agricultural operations within the framework of the basic activity, to also accept jobs—on the basis of separate agreements—, which do not belong within their circle of job activities.

We will continue to work on developing such and similar incentive measures to increase production.

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## COMPETITIVENESS OF HUNGARIAN PRODUCTS IS LESS THAN BELIEVED

Budapest NEPSZABADSAG in Hungarian 17 Apr 82 p 1

[Article: "More Initiatives and Enterprises"]

[Text] This was the third discussion for which the Ministry of Industry [IpM] invited the heads of various trusts, enterprises and cooperatives: to let them tell each other how well their products stand the competition in international comparison, and what methods they use to further increase their efficiencies. Minister of Industry Lajos Mehes delivered the introduction at the conference for exchanging experiences where the heads of the regional social and state organs were also present.

The minister emphasized that in addition to substituting for imports and saving energy, the industrial enterprises and cooperatives must increase their exports to the capitalist countries by 22 percent over last year's figures. This idea is a realistic one in spite of the lasting recession, but much more conscious market policies and more efficient work will be needed to implement it.

The head of the portfolio also said that upon the ministry's request detailed long range plans were prepared at 40 enterprises, in which the competitiveness of the products was thoroughly analyzed according to new methods. It was found that--within this circle--80 percent of the machine industry's products, 70 percent of the ones of the chemical industry, and 60 percent of those of the light industry stand the competition with those of the capitalist partners. "If it were only so!"--remarked the minister. Because this self-photo is really deceptive. For this very reason, in order to be able to make progress, a more realistic self-evaluation is also needed in the future. At the same time Lajos Mehes also said that many enterprises and cooperatives have already heard the word of the times and are also taking action in accordance with this. He also mentioned a few examples, pointing out the direct experiences of strategic planning and international comparison.

For example, it was found from the self-examination of the Csepel Works that one of the machines in their specialty machine factory is several times as heavy and its specific energy consumption is several times as high as that of the competing FRG firm. Therefore the people in Csepel--even though the product could still be sold as it was--are introducing a new technology which

can significantly reduce the lag between them and their competitor. From the analyses of the Lang Machine Factory, the Ganz-MAVAG [Hungarian State Iron, Steel and Machine Factories] and of the Firearms and Gas Equipment Factory the minister drew the conclusion that in spite of the unfavorable market situation, exports can be increased by rapid product development. At the same time it is also obvious that the production of modern products costs more to these enterprises than to their foreign competitors. And the example of Taurus [rubber products, tires. Translator] warns that even at such a large enterprise, relatively well organized by domestic standards, the efficiency of live labor is 30 to 50 percent lower than it is in the capitalist partners.

The most characteristic experience of the comparative examinations is--in the minister's opinion--, that our productivity lags behind that of our competitors by 30 to 60 percent. This also indicates that all this can be changed primarily by opening up the internal resources, better organization of production, and through a system of internal interests which provides better incentives.

After this the enterprise managers told their opinions. According to Otto Zalotnay, general manager of the Hungarian Broadcloth Factory, they increased their export in spite of the textile industry's slowdown by entering into lasting cooperation with an FRG firm which provided them not only with modern production processes and technology but also with plant organization experience. According to Jeno Bardossi, manager of the Danubian Petroleum Industry Enterprise, exports can be increased very quickly by well chosen and organized investments, therefore it is justified that money should continue to be available for efficient ideas of the enterprises in spite of the difficult situation. According to Lajos Dozza, general manager of the Hungarian Aluminum Industry Trust, the standards can be a good measuring stick of the competitive ability. For this very reason--no matter how peculiar it may seem--they have now taken the initiative against themselves for increasing the severity of the requirements. Mrs Pal Krauth, general manager of the Cotton Thread Spinning Industrial Enterprise, described their market strategy: even the smallest order must be appreciated, a wide selection must be offered, and one must be present in very many countries at the same time. This worked well for them. Vilmos Garai, general manager of the Csepel Works related his experiences about the significance of modernizing the trust's management and the internal organization, the reserves that can be found in foreign trade works, and about the opportunities for better cooperation among the enterprises. The opinion of Ilona Tatai, general manager of the Taurus also agreed with all these things: she reported on the advantages of work distribution within the rubber industry and of organizing production. Janos Boros, manager of ELGEP [Food Industry Machine Factory and Assembly Enterprise] spoke about the advantages of general contracting, and Gyula Sos, general manager of the Bakony Works, about the usefulness of productivity associations and the exchanging of experiences.

At break time during the conference we asked Miklos Pulai, deputy chairman of the National Planning Office, for his opinion:

"I consider this meeting to be very timely, and mainly mutually useful. We witnessed true dialog between the directing sphere and the enterprises. It

can be seen that the most recent central measures--for example, the organizational changes, and the broader enterprising opportunities--found warm reception at the enterprises. They increased the initiative and enterprising desires, which is truly one of the preconditions of competitiveness. For me the suggestions heard here were also educational. Thought must be given to how we can make use of them during the course of further modernization of the directing and regulation functions--while maintaining normativity."

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# LOCAL COUNCILS SHOULD AID SMALL BUSINESS REFORM MORE EFFECTIVELY

Budapest MAGYAR HIRLAP in Hungarian 9 Apr 82 p 4

[Article by Laszlo More, employee of the Councils Office: "The Alphabet of Small Enterprises" (The Councils Must Also Learn)]

[Text] Directions Were Shown Late--Instead of a General Prohibition--New Situation, New Way to Work

The organizational-legal and financial-accounting regulations aimed at increasing the production of small operations, expanding consumer services, as well as at developing individual initiatives, have been in effect since 1 January. The councils also have very significant tasks in implementing these, in the popularization of the new entrepreneurial formats, and last but not least in controlling the legal operation of these organizations. Even though barely three months have passed since the new regulations went into effect, it is still worth reviewing: how did the councils undertake to carry out these tasks, what problems do they have, and what initial results can be reported?

The council workers dealing with this topic had the opportunity to familiarize themselves with the new statutes and measures at the end of last year in organized training seminars, thus they could be familiar with their social and economic background. The necessary form document samples and case handling supplies were also ready on time. In spite of this a number of factors hindered the preparations: the position papers of the affected central organs--which assist in implementation--were late, as were some of the legal guidelines, and the guide for applying the statutes, dealing with the conditions of founding and operating small business organizations was published only this year. The situation of the council workers was made more difficult also by the fact that immediately after the statutes were published, inquiring citizens besieged the offices, which--due to the lack of complete and thorough familiarization with the new regulations--were not always able to provide satisfactory information. Thus it is no wonder then that the relatively unprepared agencies were hesitating in some cases and took longer to handle the cases.

Also the new type of regulation places much greater demands than before on the council workers engaged in regulatory work, demanding from them, first of all, independent thinking and self confidence in making decisions. Thus,

for example, the statutes determining the sphere of activity of small businesses have undergone thorough changes. In the past they specified item by item what may be authorized; but the new regulations state only a general prohibition, namely, that the small entrepreneurs may not conduct activities which are exclusively the tasks of state organs. This otherwise extremely reasonable change creates a new situation in the process of issuing permits to the extent that it demands accurate examination and record keeping from the processing organs: which are those activities that are the province exclusively of the state organs.

Until now the councils did not perform any regulatory activity related to business work partnerships, this is a completely new job for them. Because of this, at times an apparently minor detail question (such as, for example, the decision of authority or judging professional qualifications, etc.) may hinder or slow down case handling. For this very reason it is extremely important for the business control organs of the councils to cooperate with the associate organs, so that neither arguments over responsibility nor over authority should hinder rapid disposition of the cases, and so that the citizens would not be sent unnecessarily from office to office.

A new element of the statutes dealing with production, support activity or consumer services by small business is that the authorities may not refuse to issue the permits requested if the specified conditions are met. This restructuring of the control authority has also presented the business organizing and supply coordinating activities of the council organs with a new situation and forces them to review the tools and methods they employed in the past. It is also justified that the councils modify their earlier methods of evaluating the population's needs. In the future the supply theories based on the settlement network development and regional organization plans, regularly adjusted to conform with the changes, will have to be given a much greater role than before. How thoroughly and how reliably the councils know the population's opinion about the supplies of a given settlement or region, is also not negligible.

The initial experience indicates that in many locations the councils do not yet sufficiently support the initiatives of the enterprises and cooperatives. But, if they are familiar with the actual demands, the councils by their own activities can also evaluate those areas of small entrepreneurial production which can also be supported by economic means, and the local resources which promote the operation of small enterprises.

## PROBLEMS, PROGRESS IN ECONOMY REPORTED

## Cause for Optimism Seen

Warsaw TRYBUNA LUDU in Polish 13 Apr 82 p2

[Article by Krzysztof Krauss: "With Somewhat Greater Optimism -- the Economy Since the First Quarter"]

[Text] A month ago, in my discussion of the development of the economic situation in January and February of this year, I wrote: "Despite everything, a little hope..." Time is confirming this opinion. It is true that production is still lower than it was a year ago, because the size of production is determined not only by the level of work discipline, the workers' readiness to apply themselves in a straightforward manner to carry out the responsibilities they have taken on themselves, and dedication in carrying out tasks, but above all at the present time by the level of supplies of basic raw and other materials.

After last year losing the opportunity to reduce tensions in foreign trade (we missed it, for example, as the result of the sudden reduction in in coal exports and the entry of the United States, Australia, and the Republic of South Africa onto our traditional markets of sale in Western Europe); we have a shortage of funds for even the most essential supply imports. In addition, as everyone knows, the United States and some of its NATO allies have tried an economic blockade and credit restrictions.

Production is still lower than a year ago, but there is already the expression of a tendency towards a flattening of this decline, a tendency initiated by the introduction of martial law and the slowing of anarchy and the disintegration of the economy. Let us recall: 1981 -- a decline in industrial production (compared to a similar period the previous year) of 12.6 percent. This January it was even worse than throughout 1981, because it was 13.6 percent, but even then, out of the 50 major products for which comparable data exist, 27 of them achieved progress in production compared to December 1981. First of all, these are hard coal and brown coal, electric power, cement, sawn lumber, and many others. This February the decline in the sold production of industry was 2 points lower (11.6 percent). Again at the head of the sectors which pulled out of the recession stage we find coal (a rise in extraction of nearly 13 percent) and also nonferrous metals (copper, silver), cement...

March 1982: for the first time in a very long period the overall decline in industrial production is no longer calculated in double-digit indices, but amounts to less than 8 percent. For the first time too the list of sectors which have interrupted the "race for the rear" includes some enterprises and groups of products from what are called processing industries, that is, those which come at the end of technological chains rather than at the beginning of them. Hence, the opportunity to continue to reduce the production decline during the second quarter of this year and also throughout the entire year becomes more and more realistic.

Things are still difficult. Changes in the economy cannot occur from one day to the next, but the promise of passage to a new stage aimed not only at stopping the decline in production but also at restoring the economy's capacity for development is already obvious.

This must be a gradual process. As a result of the shortage of raw materials, the processing industries are presently utilizing 50-70 percent of their production capacity. For the most part these industries depend on imported supplies. Two very complicated operations must be accomplished if they too are finally to break out of their recession. The first operation consists of replacing previously imported raw materials with raw materials supplied by domestic producers. Where we do not have our own raw materials or where it is a matter not of raw materials but of semi-finished products which we have been buying from capitalist countries up until now, we must base our operations to a far greater extent on the expansion of cooperation with the socialist countries. This task is presently being accomplished.

On the other hand, reorientation to our own raw and other materials and those from socialist countries requires time. Despite current opinion, domestic raw materials are not usually "worse" but are often "different" or "somewhat different," and where it is a question of engaging in coproduction with the socialist countries, we must make up for several years' delay in becoming familiar with our partners' capabilities and often correct designs and technologies, and finally enter into appropriate contracts and negotiate the conditions for cooperation.

A condition to using domestic raw materials is that there be some. They are there now. After all, thanks to the restoration of peace and order, the raw materials sectors first began to work intensively in January, February, and March. A condition to entering into cooperation with new suppliers in socialist countries, those who can assume the role of previous partners in cooperation in the West, was our RWPG partners' interest in this matter. They understood our situation and came to meet our needs. This fact is shown, for example, by the agreements during the meetings of the state-party delegations in Moscow, Berlin, and Prague and the talks with other socialist countries expected soon at this level.

What is more, a possibility is opening up, now that the stability of the situation in our country shows our reliability as a partner: the expansion of what are called "processing services" on a broad scale. This will provide a profit from fees for production services. It will give work to all workers, and it will give production on the domestic market.



I think it also worth noting that our situation on the Western markets is also changing. Of course our indebtedness is tremendous and leaves little room for maneuvering. The political campaign being waged against our country is also continuing, a campaign in which the coauthors of the worst crisis in our history are involved, the "Solidarity" activists who are presently out of the country. But for the first time, this March our balance of payments with this area improved. We began to export more.

There is another reflection which comes up as a footnote. Have the leadership of the independent enterprises, which after all now finance themselves, and the ministry administration done everything to take advantage of this point of support created by the restoration of the normal operation of the raw materials industries and the new possibilities for cooperation within the framework of CEMA? Well, it does not seem to me that they have. Some of the economic activists are still showing some passiveness, awaiting attitude, a lack of initiative.

"The safety umbrella" put over the enterprises by the banks during the first quarter of this year has favored this waiting, expecting attitude. Now this "umbrella" has been taken away. The banks have stopped subsidizing the enterprises, and anyone who wants credit must prove that he can make money with credit and will be able to repay it. This is a "shock treatment," but if the enterprises' independence and self-financing is to become a fact and the economic reform is really to begin to operation, it is simply necessary.

Despite the difficulties of the situation which continue, all these factors allow us somewhat greater optimism in looking to the future.

#### Current Economic Situation

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 4, 22 Mar 82 p2

[Article: "The Work of the Government -- Draft Law on the Council of Ministers"]

[Excerpt] Among the economic issues discussed at the government meetings at the end of February and the beginning of March of this year, a great deal of time was devoted to matters under the direct control of local bodies of the state administration. As usual, an analysis of the country's general economic situation was the point of departure for the analysis of these areas of activity.

Although the data are still not complete, it is already possible on the basis of the data from January-February of this year to state initially that the first months of the year revealed a sort of dual picture of the Polish economy, with one concerning extractive industry, where the situation is moderately good, and the other showing processing industry, where the difficulties abound and the problems with raw and other materials appear in very great dimensions.

In the case of extractive industry, an especially positive phenomenon is the relatively high level of coal extraction, which approximates 630,000 tons of coal per day. In January and February the mining industry extracted a total of about 30 million tons of coal. It is estimated that this year extraction may even reach a level of 180 million tons. All coal receivers have been charged with improving the distribution of this raw material and with thrifty, rational consumption in particular. The government has addressed these charges to a great extent to the local officials coordinating activity in many public services, including the municipal economy, especially the urban economy. It has been recognized as essential to improve the distribution of coal allocated for agriculture.

In processing industry, according to statistics, the production decline in January and February amounted to as much as about 18-20 percent, compared to a similar period last year. Production capacity was not fully utilized. The figures are only about 60 percent, and in the sectors most dependent on imported raw and other materials, the figure is even below 50 percent utilization. In this situation various operational decisions and provisions were undertaken to set industrial production mainly on a basis of available raw and other materials, on local raw materials, and on what are called secondary raw materials. Especially in the case of local materials and secondary raw materials the services and organizations subordinate to local officials have a particularly great deal to say. Too little initiative here is still being shown not only by the factories but also by the economic links at the voivodship and gmina [parish] levels.

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## EFFECT OF ECONOMIC REFORM ON COST OF VACATIONS EXPLORED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 pp 1, 4

[Article by Irena Dryll: "Who Can Afford a Vacation?"]

[Text] The reform has affected vacations and summer camps, but more precisely speaking--the cost of vacation services. The cost of vacation services in 1982 is going up by at least twice, and 2½ times as compared with past years. Who can afford this luxury now?

"Many of my friends and I simply cannot afford such a high cost for vacation services. And if so, it means that something is wrong," stated Jan Cisowski, vice chairman of the Main Committee for Tourism (GKT) at one of its sessions. The committee, along with the Ministry of Education and Upbringing, has to fulfill a very important role--coordination of "summer action."

"There are a lot of people in our factory upset with the cost of vacations," says Ewa Sapiezynska from the Social Affairs Section of the shoe factory "Syrena" in Warsaw. "For example, my three-person family will stay home because we cannot afford a vacation at these prices."

Not waiting for the subsequent course of events, the construction ministry showed more "special initiative;" i.e., it wrote a special letter to the Ministry of Labor, Salaries and Social Affairs requesting payment of the fourteenth salary earmarked for vacations. The minister cited this act as proof of extreme concern: it is not enough that they have the highest salaries, have not produced any apartments during the first two months and that the cost of not working has been paid by 100 percent, then still they make such demands.

The costs of vacations are rising, and the possibilities of the Plant Vacation Fund (ZPS) are diminishing. According to estimates made by units serving the tourist traffic (plants, Workers' Vacation Fund (FWP) and tourism enterprises), the average cost of a 14-day, standard vacation is at least approximately 6,000 zlotys. FWP estimates, for example, that costs in attractive areas during the season will be in the range of 5,000-8,500 zlotys, and in others 4,500-7,800 zlotys. After the season is over, the cost will drop several hundred zlotys.

### What Is the Cost of One "Man-Day?"

And what is the cost of one "man-day" through an FWP vacation of 14 days at 6,300 zlotys? One "man-day" costs 428 zlotys and 57 groszy. The cost of food for the vacationer is merely 125 zlotys. Personnel costs--reaching 101 zlotys 44 groszy--are 63.80 zlotys for salaries and 23.28 for feeding personnel, among others. Maintenance costs for vacation houses are 95.09 zlotys, of which amortization is 6.16 zlotys; renovations--56.81 zlotys; supply purchases--30 zlotys; and taxes to the National Council--2.12 zlotys. Remaining costs--use of materials, energy, transportation, material and non-material services, and administrative costs (that's the way it was described)--are calculated as 104.04 zlotys.

It is difficult for the lay person to judge the authenticity of the calculated bill for one day's stay. Even I have two doubts.

1) It is hard to believe that personnel will be eating for 23 zlotys per day, while the vacationer will pay 125 zlotys per day. It would be better if we were to calculate 50-50 for personnel and vacationer. Fairness and realism are required. And we have to be prepared to accept the fact that with 6,000 zlotys for the entire vacation, we shall be eating meagerly as we shall pay only 1,750 zlotys for food. The balance will be used for the FWP base, so in a few years the base will blossom and each vacation home should have nice furniture and look like a palace, because by paying for a 14-day vacation, the vacationer will have paid 1,200 zlotys for renovation and equipment. The second doubt is concerned especially with these costs--is somebody here not making out pretty well?

Up to now, the vacationer covered one-third of the vacation costs, and the remainder was paid by the plant vacation fund or the state budget. In 1975, the "statistical" cost of a vacation was approximately 1,800 zlotys, of which the vacationer paid from 522 zlotys in FWP centers to 625 zlotys in plant centers. Last year, the average cost of a vacation was approximately 2,600 zlotys, and the average payment was about 860 zlotys. This year, the vacationer will pay the traditional one-third, but this year it will be from 2,000 to 3,000 zlotys and up. It will be more because the social fund does not raise all of the imposed string of obligatory surcharges for vacations. It is thus said that reimbursements will have to cover half the cost, and moreover, the number of "reduced-fare vacationers" will be even less, which will contribute to a further decline. This declining tendency has been evident for several years. Last year, approximately 4.2 million persons took vacations--of these, 2.5 million went to plant or trade union centers; 700,000 to FWP facilities; and approximately 1 million to quarters. In 1980, there were approximately 100,000 more vacationers, and in 1977 about 500,000.

At the 18 March session of the Socio-Political Committee of the Council of Ministers, it was resolved to give state grants-in-aid for vacations to the following groups: retirees, pensioners, those recovering from illnesses and those in sanatoria (this constitutes 225,000 persons). The issue of prices for vacations will be evaluated at the next session.



Secondly, with respect to the social fund, rest for children and school youth is becoming even more dramatic.

#### One Million, The Remainder at Home

Information concerning the state of this year's preparations of summer vacation for children and school youth, worked out by the Ministry of Culture's Department of Upbringing and Physical Education, shows that in this area we are returning to the 1960's with respect to the number of children sent on vacation.

The following data indicate the trend: during the summer of 1981, 2.6 million children and school youth took advantage of organized rest, of which only 1.433 million went to summer camps and the remainder spent their vacation in their place of residence. This constitutes a reduction of 1.5 million participants, or 37.8 percent, as compared to 1980. In the ministry's opinion, there are many reasons for this reduction in participants at organized "summer action." First, the authors of the study state that the cost of summer camps continues to rise, while there is no corresponding increase in quotas earmarked for vacations by the plants' social funds or within the state budget. Second, there has been a decrease in organized activity and interest in the problem by social services and trade unions. Third, the country's complex situation encourages parents to have their children remain at home. This last reason is the only reasonable justification; the first and second are nothing more than adult selfishness and retreat in the face of difficulties.

It is supposed to be even worse this year. The ministry is saying that approximately 2.45 million children and school youth will participate in organized summer action, which is 143,000 fewer than last year. It is estimated that of the 1.433 million on vacation in 1981, only 1.050 million will be on vacation in 1982; this means 400,000 less than the "lean" year of 1981. One million is the same as the number of children and school youth who went on vacation in the 1960's. After that, the number of vacationers systematically increased; e.g., to 4 million in 1977. One million is a drop in the bucket.

With respect to this situation, experts in the Department of Upbringing foresee the growth of organized rest in places of residence, and estimate that approximately 1.4 million students will benefit from this, or 250,000 more than in 1981. Unfortunately, this is a small consolation, and the proof of this is that with respect to "consolations" we think primarily of 1 June--Children's Day.

There are decidedly too few vacations at home, even with the possibility of an excursion or interesting play at camps in the city.

Many arguments are coming forward; e.g., concerning children in large families, of which there are several million; children of textile workers in Lodz, who, because of the specific climate in the city--as their mothers claim--, are constantly coming down with ear aches, sore throats and bad lungs, and should get out for a while and spend time along the Baltic shore or in the mountains; children of single mothers, who are unable to send them anywhere; and all children because each one of them comes under stress, which is not their fault, and they should have the right to see a normal forest and to enjoy the water and the sun.

According to the ministry's report, "the estimated assumptions of summer action can be realized through the implementation of financial means, especially from the plants' social funds and increases in quotas in the state budget earmarked for this purpose."

#### And Even 1 Million Is Uncertain?

It is estimated that the cost per child to stay at an enterprise's summer camp for 26 days will increase from 5,000 zlotys in 1981 to 8,000 and even 12,000 zlotys, this year. On the other hand, places financed in the state budget will be from 3,200-3,500 zlotys to 7,000 zlotys. (The higher enterprise cost is attributed to the costs of renovating and amortizing installations, as well as the costs of transport.) The costs of a recuperative vacation for children will go up three times: from 2,500-3,000 zlotys to 8,000-9,000 zlotys (this includes 55,000 sick children).

#### The Parents Pay or Not

The ministry foresees that the greatest burden of cost increases for children's vacations will be born by the parents. In order for a child to stay at a state summer camp, the parents will have to pay on the average 4,400 zlotys and for an enterprise summer camp 3,500 to 5,000 zlotys. They pay? The authors of the study themselves do not believe this. "For many large families which are worse off financially, the cost of sending their children to summer camp frequently precludes it."

It appears that this commentary is careful and general. The ministry must have some statistics showing the financial situation of parents with children and school youth. If it does not have any, then it would be worthwhile attempting to get them. On the basis of paid-out compensation, maybe it would be possible to estimate how many children and school youth will never go anywhere because their parents simply cannot afford it.

The current situation is full of unknowns, and thus the ministry does not wish to be a bad prophet. But, being honest, because the ministry was aware of the threatening situation in March, it certainly could do a lot more before July. On the other hand, it is unacceptable that the parents will have to pay. Some-- yes, but others simply will be unable to afford it even if they really want to send their children to summer camp.

Not long ago, there was a requirement that parents cover one-fourth of the cost of sending their children to summer camp. Last year, the parents had to pay one-third: for a cost of 4,500 zlotys, the parents paid 1,500 zlotys. This year, according to the ministry's calculations, the parents have to pay 50 percent.

This is a very doubtful concept not only because it is so unrealistic. A more acceptable method might be the following: one-third from the parents; one-third from the social fund; and one-third from other sources. As regards which sources, it is only a matter of acquiring the necessary resolutions.

The issue of vacations, costs and summer camps was discussed at the 16 March session of the PZPR Central Committee's Social Policy Commission. Participants at the session remarked on the bottom line of this issue; i.e., if workers and their families have the right to a vacation only under constitutional writ, then a certain model for vacations should be worked out during the reform period. This should include a temporary model "for today" and one "for tomorrow," in accordance with the constitution's spirit. With respect to social issues, one cannot jump into the water without knowing how to swim. This does not concern the rich, but rather the maintenance of one of the most basic human needs--that of rest. It is required for everyone, especially children and school youth. The needs of these groups are recognized as most urgent and on the first order.

"I do not have to take a vacation, but children and school youth, regardless of martial law, the crisis and reform, must be sent to summer camp." Thus was the tenor of most statements. There are enterprises that have resigned from vacations and the vacation fund for adults in order to send their children to summer camps. The commission has stated categorically that at least the same number of children as last year should be sent to summer camps. Enterprises, schools and social organizations must do whatever is necessary not only to send children capable of going on vacation, but more importantly those whose parents find themselves in a difficult financial situation, those from big families and those of single parents. Vacations and summer camps are a specific social service. Thus, accessibility is important, along with the type of people and the form.

Estimates by the Main Tourist Committee indicate that the social fund for this year (including the balance of last year's funds) will be 31 billion zlotys. Roughly speaking, it is a fairly large amount, but when the account was started, it was known that the deficit in the enterprise's social fund was 8 billion zlotys. There are 13 contracting parties in the fund: financing of leased garden plots; loans for newlyweds; assistance for retirees and sportsmen; and payments of statutory allowances for the suspended trade unions and of costs for renovating installations. The most important aspects will be the eventual payment to the vacation fund (4,000 zlotys each for 4 million persons) for a total of 16 billion zlotys, and payments to summer camps (6,750 zlotys each for 1.5 million children and school youth) for a total of 10 billion zlotys. In total, 26 billion zlotys; last year approximately 12 billion zlotys were earmarked for an identical number of vacationers.

It is difficult to say whether or not this estimated structure of payments from the fund will be recognized as legitimate. The vice minister of finance, J. Gabian, observes, for example, that a 8-billion-zloty grant-in-aid is unwarranted, when there are many means in the fund's account. Globally speaking, maybe he is right. Globally, everything looks somewhat different than the specific state of affairs.

For example, at "Azoty" in Tarnow, it was estimated that in order to maintain social action at last year's level, not less nor more than a doubling of the enterprise's social fund would be required. The fund is over 3 million zlotys

smaller than in past years. It has 17 million zlotys but needs 35 million. This year's fund is burdened with a 5-million-zloty deficit from last year, which means 12 million rather than 17 million zlotys. This is less than required for the workers' social fund at "Azoty."

Among others, the enterprise has four vacation houses with capacity for 530 persons, three camps, two daycare centers, three kindergartens, the enterprise's Culture House and a group of sports installations (including a covered swimming pool, two outdoor pools, a stadium, the House of Sport and the Weightlifting House). "We feel," state the director and the first secretary of the plant [party] committee, "that withdrawing the salary fund from the social fund and cutting off the costs of production are some of the sensible ways to facilitate (until a decision can be made regarding the subsequent fate and means of financing the enterprise's social installations) maintenance of the installations and a decent level of experiences for the workforce..." First Secretary of the enterprise [party] committee Jerzy Maniawski, with whom I spoke, feels that an enterprise that has achieved its vacation base should have reduced turnover taxes (or a portion of the costs tied to their maintenance). For example, such is the case among some firms in the West. In contrast, a large enterprise has less of a social fund than one that has neither built anything nor created its own social services base for its workforce. Previously, the costs tied to it were (partly) included in the enterprise's general costs. The reform intends, on the other hand, "to clean" production costs from all such "accretions."

#### The Luxury of a Vacation

In this very short study, we see one of the essential model conflicts with reform-social action. In order to eliminate its problems, "Azoty" should give the National Council its property (because financial experts say the Council has a lot of money to maintain such installations); likewise to tourist organizations. But will they issue a will and testament to give away such a magnificent inheritance? Without the property, will the crew be better off and the state have fewer costs?

Secretary Maniawski feels that there is enough money to maintain the resort, so this year money should be given to the enterprises. Beyond this, putting the resort into new hands will increase administrative costs, costs associated with creating a technical and renovative support base and so on. Everything is proceeding with momentum in the plant: renovation of the production area and installation, the same people and materials.

The social cost of maintaining a wasteful or unprofitable resort cannot be calculated only in zlotys. This is why the resort cannot stand idle; it has to move even by subsidy. The discrepant view says that in no way should social action be subsidized. The intermediate view says that if it is subsidized, it should be by the participant and not by the vacation or camp organizer.

The "Azoty" affair appears to be an illustration of a wider problem. Does a vacation for workers and their families have to be a problem for each enterprise, or does the enterprise have to provide qualified services and a travel bureau?



In order to answer the question, it is necessary to take the impressive vacation and cultural/sports resorts from the large enterprises, which they have built up over many years, or within the framework of reform to effect a correct functioning mechanism and to lower costs. Enterprise installations are the basic resort for vacations and summer camps. They have 275,000 vacation spaces, but the FWP has only 43,000. Together with private quarters for vacationers, there are 500,000 spaces. How many spaces will be empty this season.

Mrs Ewa [Sapiezysska] from "Syrena" feels there will be many. Her enterprise does not contain its own resort, and FWP has proposed vacations costing between 5,000 and 8,500 zlotys. Private quarters go for 6,000 to 8,000 zlotys. The social fund has to subsidize the summer camps. Last year, parents paid 500 zlotys per child and this year 1,000 zlotys, while the actual cost of summer camps is 7,000-9,000. There are not many children (approximately 70), but 400 pensioners. Even if vacationers pay 3,500 zlotys, there will not be many wanting to go, but we cannot lower the cost for such a small number of people.

In the Roza Luksemburg plant, percentage-income principle for payment was established. The cost of a vacation at this plant at Darlowek will double this year from 3,500 to 7,000 zlotys. For incomes up to 1,500 zlotys per family member, the cost is 5 percent, and for 7,500 zlotys, 100 percent. On the other hand, for an average income of 5,000-5,500 zlotys, it will be approximately 2,800 zlotys. A similar proposal is being made for summer camps. The cost of vacation has increased from 9,500 to 10,000 zlotys. Who will go? Who will send his or her child? Mr Bokszejder of the social section will answer these questions in one month.

The PZPR Central Committee's Social Policy Commission has proposed various positions to solve these difficult problems. They will be examined shortly by state organs.

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## PLANNING COMMISSION CHAIRMAN ECONOMIC OVERVIEW PUBLISHED

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[Article by Jerzy Borowiecki: "Opportunities and Dangers," prepared on the basis of shorthand notes from the overview presented by Zbigniew Madej, chairman of the Planning Commission of the Council of Ministers to lecturers of the Central Committee of PZPR on 9 February 1982]

[Text] Economic activity this year is being influenced by the results of 1981. Those results were as follows: a further decline of 13 percent in national income and industrial production. About 60 percent of production capacity was utilized. The year 1981 also saw a further increase of the indebtedness of our country.

The results were shaped under the influence of three main factors; firstly, the consequences of the economic crisis mounting in the 1970s, secondly, the consequences of actions taken as early as 1980, and especially the high growth rate of remuneration and monetary income of the population--about 31 percent in 1981. Certainly, the incomes of the population grew due to this, however, this came about under unfavorable economic circumstances. Therefore, it had to lead to further erosion of the market, since proportions between the wage increment and production increases were not observed in the least. Associated with it was a considerable shortening of worktime, estimated at about 7.5-8 percent in industry and much higher than that in certain sectors of the economy. For example, in mining this caused a considerable reduction of effective worktime. As the third factor, a high wave of social tension, strikes and the loosening of labor discipline should be mentioned, which diminished our chances of overcoming the crisis.

It should also be borne in mind that last year certain negative trends of previous years surfaced. For example, national income has been decreasing for 3 years at an accelerating rate: it declined by about 2.3 percent in 1979, by about 5.4 percent in 1980 and by about 13 percent in 1981. Industrial production still registered some growth in 1979, but in 1980 there was already a small decline, by 1 percent, and in 1981 it dropped by 13 percent. Export still grew in 1979 by about 7 percent, whereas it declined by 4.7 percent in 1980 and by 20 percent in 1981. As is clear, an unfavorable trend appeared in consumption, which still grew in 1979 by about 3.2 percent, but in 1981 it fell.

The situation at year end 1981, a resultant of previous years, suggests that our chances of overcoming the crisis are appreciably smaller than estimated a year ago. Due to the results of 1981, the gross national income was rolled back to the 1974 level, consumption--to the 1978 level. In industrial production, the 1976 level was achieved, for coal output it was at the 1974 level. With regard to exports, we were at the 1975 level and imports at the 1973 level. In slaughter livestock procurement, we are at the level registered in 1972, in investment outlays at the 1973 level, in housing construction at the 1967 level, or counting per capita, at the 1964 level. In meat consumption, we are at the 1974 level.

It is estimated that the economic regression which these statistics indicate amounts to 5 to 6 years depending on the economic sector. This also means that we will need as many years to get back to the level approximating that from before the crisis, as has been outlined in the program for surmounting the crisis. Therefore, we need 5 to 6 years of intensive work, and this will be our point of departure for 1982.

Last fall, three possible versions of development in 1982 were under consideration and, subsequently, three versions of forecasts for the future: pessimistic, average and optimistic. The pessimistic version envisaged a further decline of production in 1982 on the order of 10 percent, the optimistic version envisaged a growth in production on the order of 3 percent. The average version essentially envisaged the continuation of the 1981 level or a small improvement over it by less than 1 percent.

The forecasts for 1982 outlined in this way were offered for public judgment and after various discussions it turned out that public opinion was turning away from the pessimistic version. This was not due as much to dependable calculations and plausible forecasts as it was due to emotional reluctance. Who would want a bad, pessimistic future for himself and for the country? In circles which were mainly emotional, the view prevailed decidedly that the pessimistic version is unacceptable. In circles which relied more on economic calculations, in a word, in professional circles, the leaning was rather towards the average versions with only some favoring the optimistic one.

Ultimately, the government adopted outlines for 1982 in two versions. While rejecting the pessimistic version, it was accepted that there was a high probability of attaining what was called the average version with a view to strive for the optimistic one. What were the features of those two versions? Last fall, there was every reason and factual evidence to believe that coal would be the decisive factor in 1982. According to some, this was a manifestation of reducing the Polish economy to a "single crop" coal development, since one factor was seen as responsible for economic development. At the time, pointing out the decisive role of coal for economic development was needed.

It seemed at the time that achieving the output of 170 million tons of coal would be incredibly difficult and, therefore, this was taken into account in the average version. At the same time, an output of 175 million was assigned to the optimistic version, though many were doubtful as to whether

this could be achieved at all. Beginning in mid-December and through January very good coal mining output has been registered. On all weekdays, output exceeds 620,000 tons, and on Saturdays even 590,000 tons. There have also been Saturdays when the output exceeded 600,000 tons. Therefore, the probability of achieving the 175-million mark is very high indeed.

However, another very important factor emerged which was noticed earlier, but which is playing a paramount role now, in the new situation. I am talking about the inflow of funds from abroad, primarily foreign exchange funds from capitalist countries and, consequently, raw and other materials import. Every year, some 18 to 20 percent of raw and other materials our economy processes are imported from capitalist countries. This means that we are more or less 1/5 dependent on the capitalist world. This is not much; there are countries which are much more dependent and the problem does not lie here. The issue is that funds will be simply insufficient for imports of that magnitude. The situation is so complicated that last year more or less one half of the already trickle of capital inflow from capitalist countries was earmarked for import of consumer goods, grain and fodder. Only one half of purchases could be assigned to other uses, including industrial [raw materials] supply. This was necessitated by the need to support at least minimal food rations.

Under martial law, when certain Western countries instituted economic sanctions against our country, this narrow rivulet of credit inflow was in principle cut. Now we are almost entirely cut off from the inflow of raw and other materials from the West. Funds for grain and fodder purchases are coming in a narrow flow, and then again from only some countries. Canada is currently standing by 1/2 of its original credit commitments. France is also honoring its commitments, but not in the initially envisaged amount. As late as last fall we expected to purchase a large amount of grain in France. Now we have a chance to import about 200,000 tons in the first quarter, about 200,000 tons in the second quarter and about 200,000 tons in July. The rest we will obtain--maybe we will--from the new harvest, maybe in a form other than grain.

At the same time, the inflow of funds from the United States, where we used to borrow between \$700 and \$800 million for grain imports, has ceased entirely. Even before the imposition of martial law, obtaining this amount of deliveries in 1982 was very much in doubt. The government of Poland applied in the last weeks of last year (in early December) for an extemporary credit of \$200 million. This request was denied. There was an opportunity to obtain \$100 million for corn imports which support the development of broiler chicken farms in Poland. This is a technological requirement of large poultry farms. As a result of martial law and the sanctions imposed by the Reagan administration the \$100 million which could be approved have been suspended. Other previously negotiated economic contracts with the United States have also been suspended, namely: fishing by Polish ships in U.S. coastal waters, functioning of airlines for which the agreement expired in March. Also, many restrictions have been introduced with regard to economic and diplomatic representatives. The United States is threatening further sanctions. At issue here might be the most-favored-nation status. This is a principle



which makes it possible to export to the United States on a relatively favorable basis, which means taking advantage of a relatively low import tariff. If this threat is carried out, all exports from Poland to the United States will become unprofitable in principle.

Countries of Western Europe, other than those already mentioned, do not provide credit to Poland. In the nearest future we cannot expect finance credit and, consequently, necessary purchases from them.

Due to this, it is estimated that import from capitalist countries will decline in the first quarter of this year by an average of 30 percent compared to the first quarter of last year. Imports of raw and other materials can register a still larger decline, especially in terms of quantity, after increase in prices is taken into account,--by about 35 percent. Imports of machinery and equipment have declined very significantly. We have been decreasing it consciously due to the limitation of investment projects in the country.

Due to difficulties in supply, production in many subsectors of the Polish processing industry is utilized less than 50 percent of its capacity, mainly in the subsectors which depend to a large degree on exclusively imported raw materials. The fur and a part of the leather industry are such subsectors. Production capacity utilization in the range between 50 and 60 percent will occur in subsectors such as the rubber industry and some subsectors of the textile industry. Capacity utilization of 70 percent will occur in many subsectors of the processing industry. The situation, therefore, is differentiated indeed. Production of the mining industry, especially coal output, has a possibility of a 7 to 8-percent growth; this refers to the first quarter and, probably, to the following ones. The complete reverse of this situation exists in the processing industry, where a further decline in production by 12 or even 24 percent on the average will occur for the industry as a whole. In the first quarter of this year, there is a threat that production will fall by more than 10 percent compared to the first quarter of 1981.

Much is being done to prevent such a drastic decline of production and to preserve basic market supplies. As early as December of last year, steps were undertaken to intensify imports from socialist countries.

Immediately after 14 December we received emergency aid from socialist countries consisting mainly of food and other consumer good deliveries. The aid came as a response to the appeals of Polish authorities and, in part, spontaneously. All these countries delivered goods to us worth 30 million rubles each, with only some small countries well below this quota. Overall, we received goods worth about 150 million rubles in this way, which translates into about 10 billion zlotys and accounts for between 8 to 10 percent of the monthly deliveries to the domestic market. A part of this aid was regarded as irredeemable by socialist countries (including the GDR, Czechoslovakia, Mongolia and Yugoslavia) and another part as long-term low-interest credits. At the end of December 1981, we again applied to socialist countries for industrial-type assistance. In connection with a special letter from the first secretary of our party addressed to the secretaries of communist parties of socialist countries, the following results were achieved:

Firstly, deliveries of raw and other materials and consumer goods from all socialist countries were speeded up, due to which the deliveries will be considerably concentrated in the first and second quarters of this year. Concentration will lead to about 25 to 30 percent of 1982 deliveries being carried out in the first quarter. As a result of this and other measures, imports from socialist countries will increase by about 18 percent in the first quarter of this year compared to the same period in 1981.

Secondly, as a result of this letter and actions associated with it, an increase in non-traditional deliveries is occurring, that is in items we have not been importing from socialist countries so far. This means raw material assistance of foreign-exchange type and foreign exchange aid proper. Among other things, we are to receive a grain loan from the Soviet Union as early as the first quarter in the amount of 250,000 tons of consumer grain. We had to apply for the loan, because the situation on the domestic market is extremely difficult.

Thirdly, we received additional deliveries of ammonia for artificial fertilizer production and a certain amount of fodder grain, which were not included in the regular trade protocol. Part of our exports to socialist countries includes the so-called foreign-exchange input, i.e. imports from capitalist countries. We are trying to negotiate with socialist countries about the implementation of aid in this sphere, since there is a danger of us having to cease this production. There are opportunities for settling this issue. Raw materials supply for domestic production presents a larger problem. Our economy is still very autarkic. We export a total of 7 to 8 percent of our industrial products to both socialist and capitalist countries. As a result, the lion's share of raw material import is needed for domestic supply, for internal needs. Therefore, we are undertaking steps in order to obtain from socialist countries the raw and other materials we used to import from capitalist countries. However, the situation is such that other socialist countries also import many similar raw and other materials and are as well having difficulties with foreign-exchange funds.

Our attempts to secure increased aid from socialist countries are only one avenue. Another very important one is based on attempts to reorientate the economy towards larger consumption of raw and other materials produced domestically. It is understandable that this cannot be done over a short period of time, over a week. We were aware of the need for such a reorientation more or less last year, but the results achieved so far have been minimal. This shows how difficult the reorientation towards production for agriculture and towards the utilization of domestic raw materials is. However, there is also an element of wait-and-see attitude in accordance with the "it-will-work-out-somehow" principle. It should be borne in mind that the period of surmounting the crisis will last several years. It is a fact that all the salvation in leading the country out of the crisis is to be drawn from our domestic power. All the help from outside can only facilitate our efforts, but nothing else beyond that. A nation 36 million strong cannot be maintained on somebody else's charity. We need a constructive and positive approach to reality, this is to say clear thinking, honest work and an honest and constructive look into the future. This is the only rescue for us.

Entering the year 1982, we are presented with several issues that we must consider, issues which can become levers of our development if solved. The change in psychological climate can be of essential importance. Also, there are many opportunities for the progress of economic recovery, if technical services in enterprises, in all technical facilities, urgently apply all the ingenuity they can muster to introducing new technologies and new substitute raw and other materials.

We have opportunities to reduce losses to a minimum and use land better in the entire agricultural economy. Unfortunately, we still have very much fallow land in Poland, whereas desire to use it efficiently is much smaller than in other countries. The increases of procurement prices for agricultural products that were carried out recently should primarily stimulate crop production and the subsectors of animal production which make use mainly of domestic non-imported raw materials.

In the management sphere, the emphasis is mainly laid on the utilization of new economic ties that are developing under the influence of producer prices effective beginning of 1982, new policies of industrial financing and new policies in the incentive system. In the first quarter, financing of the wage fund was still carried out in accordance with old policies. This was a solution of social nature. However, from the first days of the second quarter the time of reckoning will come for many enterprises. Unless they turn in adequate profits, they will not have funds for wages, payments for raw and other materials delivery, taxes or other dues. Other necessary measures will also be undertaken. It is envisaged that in the environment of raw and other materials shortages, some enterprises will have to be closed down or reduce their output considerably after opportunities for developing substitute production, innovation of all kinds etc. have been exhausted.

It follows from estimates that several hundred thousand persons should be transferred from the processing industry to other economic sectors. There are plenty of job opportunities for these people in the mining industry. It is obvious that transferring people associated with their residence, acquired skills etc. presents a problem, but it is not true that there are no job opportunities. The only thing the economy can provide on its part is opportunities. There are real opportunities in this sphere. However, the wait-and-see element also occurs here, as well as in the change of production profiles. This will be an unpleasant step, but it is unavoidable, since preserving the current situation in the future simply leads us to nothing good. It would cause among other things, disbursing money with no coverage, with no goods in the market.

There are some essential problems in our market, among other things due to the current price policy. There are no opportunities for keeping up the level of consumption that was attained in Poland in the last several years. The increase in meat consumption registered between the beginning of the decade and 1979 was coupled with an increase of grain and fodder imports. This import grew from several million [as published] tons at the beginning of the 1970s to 7-8 million tons in 1979. This nicely supports the statement that we used to live on credit, at the price of grain grown elsewhere, outside



our country. The problem is thus reduced to only the following: should the decrease [in consumption] be achieved through tight rationing, with no price changes or with price changes as well? It was necessary to change prices of all foodstuffs, including meat, in order to rectify the incorrect price arrangement of foods vis-a-vis manufactured goods. This arrangement has developed in Poland over a very long time. Only the first phase of this measure has been completed, because the response of population to the growth of food prices is not over yet. A certain change in manufactured goods prices will be superimposed on this, which will certainly also make a dent in the family budget and will definitely cause very many unpleasant responses. Nobody likes price increases, so let us not treat them as an act of kindness for individuals. However, price increases are necessary, they are a necessary evil to regain an equilibrium in the entire economy for the sake of future economic results. Everybody would prefer no growth in prices and wage increases, but this is not possible, unless it is accompanied by an increase in production and labor productivity.

The role of the state must be rigorously reinforced through its anti-inflation activity, in protecting the low-income strata and other special groups. Due to this, control by the government of price-setting at the enterprise level is both desirable and needed; therefore, it will be strengthened. Compensation payments have been distributed in such a way as to provide more for the low-income population. This was a conscious choice, and this policy will be continued. Full compensation and increased payments could not be provided for everybody, that is for both low-income and high-income population. Simply put, there was no opportunity for that. This policy must be consciously continued in the immediate future and next year.

We should be aware of a possibility for certain pressures to implement wage increases in response to growth in food and manufactured goods prices. We should also be aware of the pressure to increase prices, especially on the part of enterprises which are allowed to set their own prices. If our economy went that way, i.e. did not set in motion efficient mechanisms preventing excessive growth of wages and prices, a very high rate of inflation would be unavoidable. This is no way to overcome a crisis. This would be an illusory remedy, which can spell relief initially and for a short while, but ultimately leads to nothing good.

Therefore, further price and wage increases regardless of the implementation arrangement are not feasible, since there is no financial basis for them. The downward trend in production and national income apparent in the first quarter of this year will probably occur in the second quarter as well. There are opportunities for economic recovery and an upward trend which can surface no sooner than the second half of 1982. Everything will depend on whether or not production increases, and if so, by how much.

9761

CSO: 2600/531



SPECIAL CURRENCY EXCHANGE RATE TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 10 May 82 p 7

[Text] Announcement of Exchange Rates Table No 19/82, effective 10 May 1982, by Stanislaw Majewski, president, Polish National Bank, Warsaw, on 10 May 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,658.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 19/82

Country	Curr Symbol	Currency	Foreign Exchange		Money		Average
			Purchase	Sales	Purchase	Sales	
			3	5	1	2	
Saudi Arabia	771	1 rial***	24.21	24.45	--	--	24.33
Australia	781	1 Austral. dollar	88.09	88.97	86.76	90.50	88.53
Austria	786	100 schillings	504.02	509.08	496.42	516.68	506.55
Belgium	791	100 francs	188.24	190.14	185.41	192.37	189.19
Denmark	792	1 kroner	10.49	10.59	10.33	10.75	10.54
Finland	780	1 markka	18.32	18.50	18.04	18.78	18.41
France	793	1 franc	13.62	13.76	13.42	13.96	13.69
Greece	724	100 drachmas	131.32	132.64	113.82	134.62	131.98
Spain	785	100 pesetas	79.87	80.67	78.66	81.88	80.27
Holland	794	1 florin	31.95	32.27	31.47	32.75	32.11
India	543	100 rupees***	894.10	903.08	--	--	898.59
Ireland	782	1 pound***	122.52	123.76	--	--	123.14
Japan	784	100 yen	34.97	35.33	34.45	35.85	35.15
Yugoslavia	718	100 dinars	170.91	172.63	148.13	175.21	171.77
Canada	738	1 Canad. dollar	67.71	68.39	66.69	69.41	68.05
Kuwait	770	1 dinar***	290.42	293.34	--	--	291.88
Lebanon	752	1 pound	17.27	17.45	17.01	17.71	17.36
Libya	651	1 dinar***	280.33	283.15	--	--	281.74
Luxembourg	790	100 francs	188.24	190.14	185.41	192.97	189.19
Norway	796	1 kroner	13.84	13.98	13.63	14.19	13.91
Portugal	779	100 escudos	116.99	118.17	101.40	119.93	117.53
FRG	795	1 mark	35.46	35.82	34.93	36.35	35.64
United States	787	1 dollar*	83.06	83.90	81.81	85.15	83.48
Switzerland	797	1 franc	42.52	42.94	41.88	43.58	42.73
Sweden	798	1 kroner	14.29	14.43	14.07	14.65	14.36
Turkey	627	100 pounds	55.00	55.56	47.67	56.38	55.28
Great Britain	789	1 pound**	150.07	151.57	147.80	153.84	150.88
Italy	799	100 lira	6.40	6.46	5.54	6.56	6.43

\*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

\*\*Valid also in clearing accounts with the following countries: Nepal and Pakistan.

\*\*\*The Polish National Bank does not purchase money in these currencies.

9295

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NEW LAW ON ECONOMIC PLANNING REPORTED

Warsaw TRYBUNA LUDU in Polish 6 Apr 82 p 3

[Article by Marek Jefremienko: "Planning and Economic Reform"]

[Text] The law on planning, which was recently passed by the Sejm which takes effect on 1 July 1982 is the first, cohesive, comprehensive and complete document which regulates the system of planning.

What are the most important changes in relation to the past? There are many of them and they are all vital. However, it is sufficient that we examine a few of them in order to have before us, a complete picture of the turnabout which is being executed.

Growth or Development?

This question embodies the fundamental difference in the approach to the goals of planning. Until now, the entire economic, social and cultural reality subject to planning was expressed in numbers and attempts were made to increase these numbers for the sake of development and in order to balance them [the numbers] to some extent. Then, the values obtained in this way were led downward. Following shorter or longer proffering, the plan was published. The expression of social needs and aspirations was weak while their implementation was even weaker.

The, so-called, open plan used in the 1970's as well as the practice of bringing into it large investments already after balancing and ratification of the document caused the total undoing of the system of planning. Meanwhile, the essence of planning ought to be not so much the increase of indexes contained within it but guidance of social and State development. For this purpose, it was necessary to eliminate the multilevel, hierarchic, vertical structure of the planning system. If [the structure] was the cause of the dissociation of the economy because the planned quantities travelled in no other direction, other than up and down.

This is where, for example, the currently limping furniture industry came from, for which the growth of great production strength was projected in the 1970's; however, implementation was not correlated with the capacities of other industries.

## Stratified Not Vertical

The new law divides planning into three strata. From the moment that it goes into effect, three kinds of plans will come into being: the central plan, territorial plans and plans of enterprises and managing units.

The central plan is supposed to express the most vital directions of the development of society and the State. Therefore, the following will belong to the central plan: the complex of large central investments; the balance of State expenditures and income; funds for defense, education, culture, etc. The central plan will not be transcribed into tasks for units of lower levels but will serve these units as a fragment of knowledge about reality and the directions of its development.

Of course, the implementation of the said investment will be taken up by other enterprises. However, they will not do this because of orders given but for their own benefit.

The linking up of an enterprise based on the three "S's" [self-governing, self-dependence, self-financing] to the investment of the central plan—implemented by means of an agreement—will constitute a solid prospect and good business for its personnel and, of course, for the country. Only in the instance when there will not be anyone willing to carry out State instructions, will the central administration, in implementing the central plan, be allowed to resort to the giving of orders.

The territorial plan will have the same tasks, on a smaller scale, as the central plan will have on a national scale. The directions of the development of a region or voivodship; the method in which funds are used for, as an example, education, culture, municipal infrastructure, etc. will be determined within this plan.

The enterprise plan based on recognizing one's own abilities and prospects for production supplies; on winning over employees, markets, etc. will be created not for the purpose of coordinating it with whomever but in order to manage rationally and effectively. The autonomy of enterprise plans will require the development of analytical units, market research and the intensification of research and design work. Associations, as a way of assembling resources (of course, associations will not constitute a planning echelon), will be able to help a great deal in this respect.

And the most important matter, as far as the autonomy of plans is concerned; all the various types of plans are to be interrelated not as a result of an order and agreements but by way of logic and economic dependencies. The central planner will influence the plans of enterprises by means of such tools as taxes, subsidies, surcharges, tariffs and foreign-exchange rates; in exceptional cases, by means of agreements and ultimately by issuing orders (also reinforced by an agreement).



Just as enterprises will have to learn to analyze reality, so the central planner must, under new circumstances, acquire the ability to predict the reaction of enterprises towards an adopted method of economic control. The formation of these forecasting skills will take time. I feel that their attainment is the most vital factor of the formation of new types of associations between the plans of the "top", the "bottom" and the territorial level.

#### Not Numbers but Knowledge

Until now, plans were described mainly in factual-technical categories. These categories did not indicate bad economic ratios since they were embodied, so to say, "indiscriminately" within them. This is the reason for the futility of efforts for the purpose of decreasing energy-intensiveness or material-intensiveness in management. The planning, which took place up to now, presented itself, to be sure, with the goal of improvement in this regard but this was not supported by economic motivation because the plan did not indicate how to do something with the utmost efficiency and with the least expense.

At the present time, an enterprise, which is planning the most efficient use of the resources at its disposal, will, naturally, have to seek out ways of how to do this in the best possible manner, how to produce the least expensively while maintaining good quality. It [the enterprise] will search out threats to its existence and ways of preventing them. The same will also apply, but on a different scale, to the territorial level and to the planning of social and State development including economic planning.

The essence of planning, therefore, will be not to juggle numbers as has been the case until now. Planning will, in fact, be an analysis of reality and the prejudging of the directions of its transformation. That is why such an important role in the new system of this sphere's activity will be played by...

#### Information

This will be the basic element which will unite individual plans. Information is not to serve as an index but as a study of reality and a source of planning proposals. In the plan indexes, up to now, there were, in practice, no hidden artificial measurements of the economic situation because the indexes were the object of a game of pressure groups—within branch, ministerial and other groups.

Enterprises pretended that they would not have enough funds for the tasks imposed within the plan, while the central planner tried to give as little as possible knowing that he was already giving too much. Deceptions in the area of investments brought particular damage. The massive underpricing of their costs led to an economically destructive distension of the investment front with all of its negative consequences. Now, enterprises, which are developing a plan of their own investments will have no one to deceive—but only themselves.

### Social, Joint, Purposeful

In conclusion, we come to the most fundamental change of the system of planning—a change recorded in the decree on planning but which as yet has not been put into practice. This is a question of socializing planning.

This will be served by broad, multilevel examinations of plan variants in order to select those plans which are socially and economically most suitable. This will take place within the plan of the law—in the forum of the Sejm, of national councils and self-governments of enterprises.

However, the role of the social factor will not be to lead to plan development but to the imposition, in the course of this process, of a direction of thinking and strategy and then to the control of implementation. These are all well-known matters but it is only now that the new law is developing the idea of social planning consistently and fully.

9853

CSO: 2600/487

## WASTEFUL USE OF FUEL, ENERGY ANALYZED

Warsaw TRYBUNA LUDU in Polish 23 Mar 82 pp 3, 5

[Article by Stanislaw Albinowski: "Who Has No Respect for Coal?"]

[Text] /The answer to the question in the title may be either very simple or unusually complicated. Suffice it to say that he who wastes coal or does not oppose the waste of coal has no regard for our greatest resource. On the other hand, showing the dimensions, causes and "perpetrators" of this waste--is a topic large enough to make a lexicon. My six pages of typescript define the scale of compromise that I had to accept in tackling this problem./

At the outset, I want to make it clear that I am defining "waste" in a broad sense here: It is excessive consumption which can be avoided by profitable application of modern techniques and technologies; it is also economic consumption which can be avoided by profitable application of modern techniques and technologies; it is also economic consumption that is ill-founded. Hence it follows that some kinds of wasted coal can be the result of objective factors--for example: a lack of resources to modernize power equipment.

In every case, however, one has to realize that the size of social cost we bear is the result of not utilizing the coal we have (or of not being able to utilize it) optimally.

In my article "That's the Wrong Road" I argued for the hypothesis that in 1981 compared to 1975 excessive industrial consumption of coal amounted to about 20 million tons. This argumentation, but with regard to the entire economy, had a table along with it. Before discussing the results of the calculations in that table, I would like to clarify my reservation expressed in the phrase "at least." Well, for a starting point I take the year 1975 after which a reversal of the falling trend in energy-intensiveness in the national income occurred and became a rising trend. This point of reference results in that excessive consumption in 1981 is computed on the assumption that in the last 6 years there has been no progress made in fuel-conservation. I do not know whether this assumption is correct, but from the point of view of computation --it has a minimizing effect on the computation's result.

Secondly, it follows that this "at least" according to the data of the Statistics Annual of GUS [Central Office of Statistics] fits in with my computing

national income at 1977 fixed prices. At these prices, the increase in income between 1975 and 1980 amounted to 6.2 percent, while this same increase computed in 1977 prices was much lower (3.9 percent). Docent Dr. habilitatus Leszek Zienkowski, director of the Department of Balances of the National Economy GUS, who is being referred to here, contends<sup>1</sup> that fixed prices are a "crooked mirror," distorting both ratios and growth rate. If I had counted income at 1977 agreed prices, the increase in income would be lower. And the absolute level of the energy-intensives of income and increases in energy-intensiveness would be significantly higher. However, I am resigned to carrying out such a comparative analysis this month, since it would seriously complicate the entire argumentation if it is not employed. All we have to remember is that the results given in the table represent the lower limit of excessive consumption.

After these introductory explanations, one can state that the amount of excessive coal consumption is understated rather than overstated. Compared to 1975, excessive consumption amounted to about 18 million tons in 1980, and by 1981 it had increased by 4.5 million tons. What were the causes of this?

The first, and irrefutable, cause is the calorific value of mined coal. According to my calculations, in 1980 this caused compared to 1975 an increase in coal in kind for the production of electrical energy by about 2 million tons in public-utility electric power plants and in industrial power plants powered by hard coal.

The second most important cause of coal waste is the excessive consumption of primary and electrical energy in the municipal and market (public) sector. Increases in consumption are many times higher than the increase in the number of dwellings, operation of urban transportation locomotives, and the like. Coal deliveries for market purposes and partial wages in kind increased by 6 million tons from 1975 to 1980. At the same time, however, shortages coal supply shortages to the populace increased, especially to the villages. All these disproportions have many causes. Without a doubt, among some of the most important causes are: a low thermal insulation rating in building erected by large panel technology, the poor condition of insulation in thermal meshes and the low heat efficiency of central heating boilers.<sup>2</sup> It is difficult for me to estimate the amount of fuel and energy waste in the residential-municipal sector. I would judge that at the lowest limit the amount of waste would be in the order of 5 million tons of coal in kind.

Thus, out of 18 million tons of excessive coal consumption in 1980, we have specified an estimated 7 million. A third cause in the increase in energy-intensiveness income is the frequent changes in the structure of the subsector of the industry.

GUS data do not confirm this thesis, but price deformations could have caused a reduction in the growth rate of the most energy-intensive industries and their share in the value of gross and net production of the entire industry (computed at fixed prices). In this situation, I cannot estimate the degree and direction of influence in structural changes on energy-intensiveness income. This is the task of branch research institutes. However, on the basis



of a great deal of comparative analyses, I personally think that in the past 6 years this factor has not played a decisive role.

a) Energy Intensiveness of the National Income				
	b)	1975 c)	1980 d)	1981 e)
1. National income in billions of zlotys		1507	1610	1400
2. The country's total consumption				
--hard coal in millions of tons		135.8	163.7	149.3
--electrical energy g) in billions of kilowatt-hours		96.6	121.6	114
3. Consumption per 1 million zlotys of income				
--hard coal in tons		90.1	101.7	106.7
--electrical energy in thousands of kilowatt-hours		64.1	75.5	81.4
4. Excessive energy as opposed to 1975				
--hard coal in millions of tons		x	18.7	23.2
--electrical energy in billions of kilowatt-hours		x	18.3	24.2

a) Some data obtained from Docent Dr. Engineer A Szpilewicz from GIGE [Main Inspectorate of Energy Economics] have been used in this computation

b) In 1977 fixed prices, rounded off to 0.5 billion zlotys

c) GUS Statistics Annual 1980, table 102

d) An extrapolated growth rate index, "Statistical Bulletin" 1982 No 1, p 4

e) A drop in income of 13 percent--GUS statement of 29 Jan 1982

f) For the years 1975 and 1980--GIGF data; for 1981--Planning Commission data; GIGE's data differ from GUS data which do not take into account coal losses between the coal mine and consignee as well as unspecified differences

g) For the years 1975 and 1980--GUS Industrial Statistics Annual 1981, table 324; for the year 1981 Planning Commission data

There remains still a fourth reason: the amount of unit consumption. Price deformations result in that synthetic computations (value computations) on the scale of particular subsectors can be unreliable. Computations in natural units are of only illustrative value but point to the significant increase in unit energy-intensiveness. This especially concerns industries involved in energy, iron and non-ferrous metals, building materials and paper, as well as a portion of the chemical industry. For example, the Katowice Steel Works,

according to Prof. Dr. Engineer Kazimierz Kopecki of PAN [Polish Academy of Sciences], consumes 30 percent more fuel and energy than other steel works, because it has not been equipped to utilize recycled time heat. A comparison with other countries also shows excessive energy-intensiveness per unit of industrial production. On the basis of data available to me, I cannot, however, say how much this energy-intensiveness has increased in the previous years, and therefore what share it has in the increase of excessive coal consumption in 1980 in comparison with 1975.

Another computation, however, is possible, and a relatively accurate one at that. One needs to stress that industry consumes coal mainly in a processed form--that of electrical energy. Out of the 123 million tons of coal supplied to industry in 1980, almost 60 million tons were designated for the public-utility power industry, and at least another 7 million tons for industrial power plants. The remaining 56 million tons, which is consumption proper to mining, amounted to 4.4 million tons; processing into coke absorbed 26.7 million tons. Hence it follows that industry consumes (non-coking and mining) in natural form only 20 percent of the total amount of coal supplied to it.

Let us take a closer look at public utility energy (three-quarters of its energy supplied by hard coal). Its production between 1975 and 1980 increased from 88.1 to 11.5 billion kilowatt-hours. But this is gross energy. To obtain net energy, i.e., energy that reaches the user, one has to decrease one's figures by the consumption of power plants and energy loss caused by improper insulation.

I do not want to burden my article with a lot of numbers, so I will cite only the result: Between 1975 and 1980, the net energy ratio to gross fell from 81.4 to 79.9 percent, while, for example in FRG [State Repair Funds] increased between 1975 and 1979 from 87.8 to 89.7 percent. I am avoiding numbers with any shock value, but it is a fact that losses from poor insulation (in 1980 it equalled 12.2 billion kilowatt-hours) are 3 times greater than the entire production of electrical energy in 1938. Presently our losses are only a little lower than insulation losses in the FRG power industry, despite the fact that energy production in Poland is almost 3 times lower.<sup>3</sup>

Once again I am avoiding the entire evidence and providing only the final result: Thus the worsening of the ratio discussed here means a loss in net energy in the order of 1.6 billion kilowatt-hours in 1980. Taking into account the actual calorific effect of coal supplied to power plants, this means about 1.4 billion tons of excessive coal consumption in 1980. If, in our computation (in our handling of statistical data and the growth rate) we had taken parameters for our public-utility power industry like those used by West Germany, our losses would have been many times higher. In summing up, I have indicated only some of the most important--in my opinion--problems. Nor had I discussed the causes for the increase in energy-intensiveness in 1981. I see these causes, first of all, in the idle mode of many industrial enterprises. Such an idle mode consumes up to one-fourth of the electrical energy indispensable for production at the full level of existing potential. However, I think that such a fragmentary analysis drives home the point of the economic possibilities for straightening out the country's coal balance and thereby increasing the

export of coal. These possibilities are inherent in reducing the consumption of hard coal. And they are much greater than the possibilities of increasing the output of coal, which, I once again emphasize, does not mean that I have underestimated this latter factor.

Finally, there is still one point that I would like to make. The fragmentariness of my analysis likewise issues from the fact that fuel and energy waste are not limited to the sphere of direct consumption. It also appears in the waste of materials--steel, cement, wood, and so on, and so forth. For he who wastes raw and other materials also does not respect energy. But this is a subject for many other ponderings.

#### FOOTNOTES

1. Leszek Zienkowski, "Prices--the Achilles Heel of Statistics," WIADOMOSCI STATYSTYCZNE, 1982 No 1, p 4.
2. Numerous unpublished works by Docent Dr. Engineer Aleksandr Szpilewicz of the Main Inspectorate of Energy Economics contain a complex and analytical discussion of this problem.
3. Computations made on the basis of data from the following sources:  
MATERIALY GIG; ROCZNIK STATYSTYCZNY PRZEMYSŁU 1981, tables 133, 194;  
KOMUNIKAT GUS of 29 Jan 1982; MALY ROCZNIK STATYSTYCZNY 1939, p 127.  
Statistisches Jahrbuch fuer die BRD--1980 p 197 and 1981 p 204

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